MOSSEL BAY MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended

30-Jun-07

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 38 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in Note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

K. Nicol
Municipal Manager

Date

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STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2007

	Note	2007 R	2006 R
NET ASSETS AND LIABILITIES			
Net assets		**552 184 353**	**532 795 875**
Housing development fund	1	11 239 726	11 239 726
Reserves	2	322 909 937	313 299 183
Capital replacement reserve		68 152 446	70 959 089
Capitalisation reserve		86 924 317	96 124 980
Government grant reserve		86 616 777	62 434 943
Donations and public contribution reserves		81 216 397	83 780 170
Accumulated surplus/(deficit)		218 034 690	208 256 967
Non-current liabilities		**72 578 730**	**16 177 377**
Long-term liabilities	3	3 710 048	4 406 071
Non-current provisions	4	68 537 238	11 460 536
Non-current deposits	5	331 444	310 770
Current liabilities		**81 915 369**	**54 828 166**
Consumer deposits	6	7 670 989	6 894 399
Provisions	7	8 261 425	2 702 342
Creditors	8	29 409 015	23 830 203
Unspent conditional grants and receipts	9	12 051 085	4 865 082
VAT	10	3 010 251	4 623 878
Bank overdraft		21 126 209	11 544 966
Current portion of long-term liabilities	3	386 395	367 295
Total Net Assets and Liabilities		**706 678 452**	**603 801 418**
ASSETS			
Non-current assets		**449 204 770**	**397 197 341**
Property, plant and equipment	11	440 871 539	385 815 569
Intangible Assets	12	4 594 661	3 519 284
Long-term receivables	13	3 738 571	7 862 488
Current assets		**257 473 682**	**206 604 077**
Inventory	14	13 805 110	20 297 741
Consumer debtors	15	23 631 586	19 387 012
Other debtors	16	12 746 245	11 406 349
Current portion of long-term debtors	13	281 361	503 770
Call investment deposits	17	207 000 000	155 000 000
Bank balances and cash	18	9 380	9 205
Total Assets		**706 678 452**	**603 801 418**

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2007

Budget					Actual		
2006		2007			2007		2006
		Original	Adjusted	Note			
R		R	R		R		R
				REVENUE			
29 858 777		33 991 827	34 916 827	Property rates	19 35 767 367		32 855 033
750 000		1 000 000	1 000 000	Property rates-penalties imposed & collection charges	1 866 733		1 294 384
170 704 570		215 661 423	221 394 012	Service charges	20 203 689 880		178 714 127
748 441		4 240 765	4 273 965	Rental of facilities and equipment	1 325 492		1 182 077
7 633 251		9 701 400	9 701 400	Interest earned - external investments	16 665 302	*	10 692 715
-		-	650 000	Interest earned - outstanding debtors	604 541		643 747
-		-	-	Dividends received	-		-
2 514 350		3 233 700	4 733 700	Fines	5 943 174		2 843 291
2 915 500		3 545 000	3 545 000	Licences and permits	4 287 134		3 586 068
-		-	-	Income for agency services rendered	-		-
16 836 000		39 050 485	75 104 271	Government grants and subsidies	21 48 902 610.40		46 157 522
23 392 801		8 536 408	25 094 227	Other income	22 48 151 755		36 144 637
2 150 000		-	-	Public contributions, donated and contributed PPE	23 4 737 134.61		5 996 998
-		100 000	100 000	Gains on disposal of PPE	149 926		142 717
257 503 690		**319 061 008**	**380 513 402**	**Total Revenue**	**372 091 050**		**320 253 314**
				EXPENDITURE			
81 908 591		90 461 240	91 679 332	Employee related costs	24 140 387 216		80 061 285
2 656 398		4 400 761	4 650 761	Remuneration of Councillors	25 4 547 490		3 162 351
8 313 871		8 868 203		Bad debts	26 5 719 626		10 827 434
2 910 000		4 100 000	6 360 000	Collection costs	5 583 334		4 884 647
21 837 207		30 823 237	30 823 237	Depreciation	23 156 946		20 639 026
-		-	-	Amortisation - Intangible Assets	3 153		-
12 971 380		26 922 628	33 679 662	Repairs and maintenance	30 530 723		17 262 768
139 171	*	1 223 170	1 223 170	Interest paid	27 601 197		274 065
54 326 718		57 717 397	57 347 397	Bulk purchases	28 58 490 201		51 826 074
10 099 669		11 710 396	15 516 992	Contracted services	13 964 489		9 014 322
7 783 000		9 743 623	8 243 623	Grants and subsidies paid	29 4 082 862		9 251 756
54 510 674		73 075 581	130 320 594	General expenses	30 66 291 996		41 911 132
-				Loss on disposal of PPE	407 831		79 227
257 456 679		**319 046 236**	**379 844 768**	**Total Expenditure**	**353 767 062**		**249 194 086**
47 011		**14 772**	**668 634**	**SURPLUS/(DEFICIT) FOR THE YEAR**	**18 323 987**		**71 059 228**
				Discontinued operations 31			
				Surplus for the year from discontinued operations	1 064 491		-
				SURPLUS FOR THE YEAR	**19 388 478**		**71 059 228**
				Refer to Appendix E(1) for explanation of variances			

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2007

	Housing development fund	Capital replacement reserve	Capitalisation reserve	Government grant reserve	Donations & public contribution reserve	Accumulated surplus/(deficit)	Total
	R	R	R	R	R	R	R
2006							
Balance at 1 July 2005	10 518 771	66 765 807	105 704 956	37 461 559	85 886 480	153 778 402	460 115 975
Surplus/(deficit) for the year	-	-	-	-	-	71 059 228	71 059 228
Transfer to CRR	-	30 502 970	-	-	-	(30 502 970)	-
Property, Plant and Equipment purchased	(7 352 124)	(26 309 689)	-	-	-	33 661 813	-
Capital grants used to purchase PPE	-	-	-	25 839 879	-	(25 839 879)	-
Donated/contributed PPE	-	-	-	-	3 400 071	(3 400 071)	-
Transfer to Housing Development Fund	8 073 079	-	-	-	-	(8 073 079)	-
Offsetting of depreciation	-	-	(9 579 976)	(755 692)	(5 506 381)	15 842 049	-
Balance at 30 June 2006	11 239 726	70 959 088	96 124 980	62 545 746	83 780 170	206 525 493	531 175 203
2007							
Change in accounting policy (Note 33)	-	-	-	-	-	1 825 812	
Correction of error (Note 32)	-	-	-	-110 802.66	-	-94 338	
Restated balance at beginning of the year	11 239 726	70 959 088	96 124 980	62 434 943	83 780 170	208 256 967	532 795 874
Surplus/(deficit) for the year	-	-	-	-	-	19 388 478	19 388 478
Transfer to CRR	-	44 784 885	-	-	-	(44 784 885)	-
Property, Plant and Equipment purchased	-	-	-	-	-	-	-
Contribution from CRR - purchase PPE	-	(47 615 574)	-	-	-	47 615 574	-
Transfer to FDR Government Grants Reserve	-	-	-	25 650 159	-	(25 650 159)	-
Transfer to FDR Don. and Public Contri. Reserve	-	-	-	-	3 191 736	(3 191 736)	-
Transfer to Housing Development Fund	-	-	-	-	-	-	-
Offsetting of depreciation	-	-	(9 200 663)	(1 468 325)	(5 755 509)	16 424 497	-
Asset disposals	-	24 046	-	-	-	(24 046)	-
Balance at 30 June 2007	11 239 726	68 152 445	86 924 317	86 616 777	81 216 397	218 034 690	552 184 352

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007	2006
CASH FLOW FROM OPERATING ACTIVITIES		**R**	**R**
Cash receipts from ratepayers, government and other		646 778 622	547 655 642
Cash paid to suppliers and employees		542 818 432	459 628 015
Cash generated from/(utilised in) operations	34	102 908 858	88 027 623
Increase in consumer deposits	6	776 590	1 179 615
Interest received		17 269 843	11 336 462
Interest paid		(601 197)	(274 065)
Net cash from operating activities		120 354 094	100 269 635
Cash flows from investing activities			
Purchase of PPE		(79 247 337)	(57 687 141)
Proceeds on disposal of PPE		(257 905)	188 614
(Increase)/decrease in non-current receivables	13	1 182 515	2 169 671
Decrease in call investment deposits	17	(52 000 000)	(42 000 000)
Net cash from investing activities		(130 322 728)	(97 328 857)
Cash flows from financing activities			
New loans raised/(repaid)		(676 924)	(907 484)
Net cash from financing activities		(676 924)	(907 484)
Net decrease in cash and cash equivalents		(10 645 558)	2 033 294
Cash and cash equivalents at the beginning of the year		(11 535 761)	(6 267 446)
Cash and cash equivalents at the end of the year	35	(21 116 829)	(11 535 761)

MOSSELBAY MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

1. BASIS OF PREPARATION

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated financial statements and accounting for controlled entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset
GAMAP 6, 7 and 8 have been complied with to the extent that the requirements in these standards relate to the municipality's separate financial statements.	

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements.

The entity has elected to early adopt the following requirement(s) in GRAP, GAMAP or SA GAAP, which were exempted in terms of General notice 552 of 2007:

Standard no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s), exempted in terms of General notice 552 of 2007, that have been early adopted
IAS 19 (AC 116)	Employee benefits	▪ Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and defined benefit obligation disclosed by narrative information (IAS 19.29, 48 – 119 and 120A(c) – (q))
IAS 38 (AC 129)	Intangible assets	▪ The entire standard except for the recognition, measurement and disclosure of computer software and website costs (SIC 32) and all other costs are expensed

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

2. PRESENTATION CURRENCY

These Annual Financial Statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

These Annual Financial Statements have been prepared on a going concern basis.

4. OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP, GRAP or GAAP.

5. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

6. RESERVES

6.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

6.2 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

6. RESERVES (continued)

6.2 Capitalisation Reserve (continued)

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/(deficit).

6.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

6. RESERVES (continued)

6.4 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from donations and public contributions is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/(deficit).

7. PROPERTY, PLANT AND EQUIPMENT

7.1 Fixed Assets

Property, plant and equipment, is stated at cost, less accumulated depreciation.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed. Examples of subsequent expenditure which should be capitalised are the enhancement of an existing asset so that its use is expanded, or the further development of an asset so that its original life is extended.

The Municipality has adopted a capitalisation threshold whereby all expenditure below the threshold is expensed when incurred. The threshold will be determined annually during the budget process.

7. PROPERTY, PLANT AND EQUIPMENT (continued)

7.1 Fixed Assets (continued)

All assets of the Municipality are verified annually in terms of Council's Asset Management Policy to:-

- Physically identify all assets.
- Determine assets to be written-off.
- Determine obsolete assets.
- Determine changes in the estimated useful lives of assets.
- Determine impairment losses on assets.

7.2 Depreciation

Depreciation is calculated on cost, using the straight line method, over the estimated useful lives of the assets. The depreciation rates are based on the following estimated useful lives. The estimated useful lives and the depreciation methods was not reviewed in the previous and current financial years as it is required by GAMAP 17, as these requirements have been exempted in terms of General notice 552 of 2007.

	Years		Years
Infrastructure		**Other**	
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist Vehicles	10
Electricity	20-30	Other Vehicles	5
Water	15-20	Office Equipment	3-7
Sewerage	15-20	Furniture and Fittings	7-10
Housing	30	Watercraft	15
		Bins and Containers	5
Community		Specialised Plant and	
Improvements	30	Equipment	10-15
Recreational Facilities	20-30	Other Plant and	
Security	5	Equipment	2-5

7.2.1 Land

Land is not depreciated as it is regarded as having an infinite life.

7.2.2 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is commissioned into use.

7.2.3 Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding to their estimated useful lives.

7.3 Disposal of property, plant and equipment

- The book values of assets are written off on disposal.
- The difference between the net book value of assets (cost less accumulated depreciation) and the sales proceeds is reflected as a gain or loss in the Statement of Financial Performance.

7.4 Impairment

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it should be written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance. The municipality should assesses at **each reporting date** whether there is any indication that any items of PPE may be impaired by reviewing external and internal sources of information which indicates that impairments may have occurred. However for the previous and current year under review, the municipality did not perform impairment testing on its assets as is required by GAMAP 17 and IAS 36/AC128, as these requirements have been exempted in terms of General notice 552 of 2007.

8. INTANGIBLE ASSETS

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is charged on a straight-line basis over their useful lives, which is estimated to be between 3 to 5 years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

Intangible assets are annually tested for impairment.

Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

The estimated useful life and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

9. INVESTMENT PROPERTY

Land and/or buildings that meet the ‘investment property’ definition have, in the current and prior years, been accounted for in accordance with GAMAP 17. The requirements of IAS40/AC135 have been exempted in terms of General notice 552 of 2007.

10. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*.

10.1 Financial Assets

A financial asset is any asset that is a cash or contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Listed Investments (Shares)
- Unlisted Investments (Local Authority Stock)
- Investments in Fixed Deposits (Banking Institutions, etc)
- Long-term Receivables
- Consumer Debtors
- Other Debtors
- Short-term Investment Deposits
- Bank Balances and Cash

In accordance with IAS 39.09 the *Financial Assets* of the municipality are classified as follows into the four categories allowed by this standard:

Type of Financial Asset	Classification in terms of IAS 39.09
	Financial Assets:
Listed Investments	Held at fair value through profit or loss
Unlisted Investments	Held at fair value through profit or loss
Investments in Fixed Deposits	Held to maturity
Long-term Receivables	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables
Short-term Investment Deposits	Held to maturity
Bank Balances and Cash	Available for sale

10. FINANCIAL INSTRUMENTS (continued)

10.2 Financial Liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Provisions
- Creditors
- Bank Overdraft
- Current Portion of Long-term Liabilities
- Defined Benefit Obligations
- Consumer Deposits
- VAT

There are two main categories of *Financial Liabilities*, the classification based on how they are measured. Financial liabilities may be measured at:

(i) Fair value through profit or loss; or
(ii) Not at fair value through profit or loss ('other financial liabilities')

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Any other financial liabilities should be classified as financial liabilities that are not measured at fair value through profit or loss.

In accordance with IAS 39.09 the *Financial Liabilities* of the municipality are classified as financial liabilities that are not measured at fair value through profit or loss only because none of the following instruments are held for trading.

10. FINANCIAL INSTRUMENTS (continued)

Type of Financial Liability	Classification in terms of IAS 39.09
Long-term Liabilities	Financial Liabilities not measured at fair value through profit or loss
Provisions	
Creditors	
Bank Overdraft	
Defined Benefit Obligations	
Consumer Deposits	
VAT	
Current Portion of Long-term Liabilities	
Current Portion of Provisions	

Creditors
Creditors are stated at their nominal value.

10.3 Measurement

Financial Instruments are in the current and prior years recognised and measured at cost. The requirement of IAS 39.43, AG 64, AG 65, AG 79 and SAICA circular 9 that financial instruments should initially be measured at fair value have been exempted in terms of General notice 552 of 2007.

Financial Assets:
Held-to-maturity investments and loans-and-receivables are initially measured at fair value and subsequently measured at amortised cost. Financial assets at fair value and available-for-sale are initially and subsequently, at the end of each financial year, measured at fair value with the profit or loss being recognised in the Statement of Financial Performance.

Financial Liabilities:
Financial liabilities that are not held-for-trading are measured at amortised cost using the effective interest rate method.

10.4 Impairment of Financial Assets

At each balance sheet date an assessment is made whether there is any objective evidence of impairment of Financial Assets. If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

Consumer Debtors are stated at cost less a provision for bad debts. The provision is made in accordance with IAS39.64 whereby the recoverability of Consumer Debtors is assessed collectively after grouping the assets in financial assets with similar credit risks characteristics.

Loans and Receivables are non-derivative Financial Assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at cost less a provision for impairment. Separate classes of loans and receivables were assessed for impairment using the following methodologies:

Study Loans:
Amounts outstanding for Study Loans are in terms of the old policy on Study Loans for Staff in terms of which the council granted an advance to the member for the cost of the course enrolled for. Should the candidate fail, the cost was recovered from the staff member. If the candidate passed the course, the advance was expensed in the Statement of Financial Performance. It is a condition of the policy that the staff member receiving such a bursary has to stay in the service of the Municipality for the same period of the study course paid for by the Municipality. Should the employee leave the service of the Municipality such employee is required to repay the Municipality pro rata in respect of each month or part thereof from the date of termination of service to the date when the bursary period would have expired. Study Loans are therefore assessed at every Statement of Financial Position date and the portion of the loan that expired during the year is expensed. The balance of these loans up to the date of termination of the contract is considered to be fully recoverable.

Township Development Loans:
Debtors for Township Development are in respect of properties sold to buyers on instalment terms and are assessed individually for impairment to ensure that no objective evidence exists that these loans are irrecoverable.

10. FINANCIAL INSTRUMENTS (continued)

Sale-of-Erven Loans:
Sale-of-Erven Loans are assessed individually for impairment to ensure that no objective evidence exists that these loans are irrecoverable. These loans consist mainly of long-term loans to public and employees of the municipality. If the employees are still in the employ of the municipality, management is of the opinion that these loans are fully recoverable. Should this not be the case, a provision for doubtful debt is made. Should this not be the case, a provision for doubtful debt is made.

Debtors Capitalised:
Debtors Capitalised are debtors:-

- who fell into arrears with their consumer accounts and signed an agreement with the municipality to repay such arrears in monthly instalments; and
- who were previously handed over for collection, which "*handed over accounts*" have been withdrawn and capitalised as above.

The short-term portion is transferred to current debtors. A provision for doubtful debts is made on the same principles as those for Consumer Debtors.

Payments made in Advance:
Payments made in advance are assessed individually for impairment. Based on the assessment of the individual transaction an impairment loss is recognised or not.

Sundry Deposits:
Sundry deposits are individually assessed for impairment to ensure that no objective evidence exists that these deposits are irrecoverable.

Sundry Debtors:
Sundry Debtors are those Suspense Control Accounts classified as financial instruments with debit balances as at year-end. Sundry Debtors are assessed individually for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

Capital Projects:
Capital Projects are conditional grant accounts with debit balances as at year-end, carrying a debit balance as at year-end. Capital Projects are assessed individually for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

10. FINANCIAL INSTRUMENTS (continued)

Insurance Claims:
Insurance Claims are respect of expenditure incurred for assets replaced by the municipality and the settlement from the insurers is awaited. These happened before GRAP was implemented and are assessed individually for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

Government Subsidy Claims:
Government subsidy claims are individually assessed for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

11 INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Water purification costs incurred for non-purchased water have been capitalised as part of inventories in the current financial year, whereas these costs were not capitalised in the prior financial year. Pre-purified water was not capitalised in the current and prior financial year as this requirement of GAMAP 12 have been exempted in terms of General notice 552 of 2007.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Cost of inventory comprises all costs of purchase, cost of conversion and other cost incurred in bringing the inventory to its present location and condition.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

12 REVENUE RECOGNITION

Revenue for the current and prior financial year was initially recognised at cost. The requirement of GAMAP 9.12 and SAICA circular 9/06 that the initial measurement of revenue be recognised at fair value through discounting all future receipts using an imputed rate of return have been exempted in terms of General notice 552 of 2007.

13. REVENUE RECOGNITION(continued)

Revenue from Exchange Transactions

13.1.1 Service Charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

13.1.2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

13.1.3 Interest Earned

Interest and rentals are recognised on a time proportion basis.

13.1.4 Dividends and Royalties

Dividends and royalties are recognised on the date that the Municipality becomes entitled to receive the dividend or royalty in accordance with the substance of the relevant agreement, where applicable.

13.1.5 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

13.1.6 Income from Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

13.1.7 Housing Rental and Instalments

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

13. REVENUE RECOGNITION(continued)

13.1.8 Sale of Goods

Revenue from the sale of goods is recognised when **all** the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

13.1.9 Government Grants and Public Contributions

Revenue from government grants and public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where government grants and public contributions have been received but the municipality has not met the condition, a liability is recognised. The requirements of IAS20 (excluding paragraphs 24 and 26) have not been met in the current and prior financial years as these requirements have been exempted in terms of General notice 552 of 2007.

A government grant related to a non-current asset with a useful life (e.g. PPE, intangible assets, etc.), including non-monetary grants at fair value, are presented in the statement of financial position as deferred income that is recognised as income on a systematic and rational basis over the useful life of the asset.

13. REVENUE RECOGNITION(continued)

13.2 Revenue from Non-exchange Transactions

13.2.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

13.2.2 Levies

Revenue from Regional Levies, both those based on turnover as well as those based on remuneration, is recognised on the payment due basis. Where declarations have not been submitted, estimated levies based on average data is accrued. Estimates are reviewed regularly to ensure that average data is appropriate.

13.2.3 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will received based on past experience of amounts collected.

13.2.4 Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognised when such items of property, plant and equipment are brought into use.

13. REVENUE RECOGNITION(continued)

13.2.5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

14 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the municipality.

15 POST-RETIREMENT BENEFITS

15.1 General

The municipality provides retirement benefits for its employees and councillors.

A **defined benefit plan** is a plan that defines an amount of benefit that an employee will receive on retirement. A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

Contributions to defined contribution retirement benefit funds are recognised as an expense when employees and councillors have rendered employment service or served office entitling them to the contributions.

15. POST RETIREMENT BENEFITS(continued)

In the 2005/2006 Annual Financial Statements the defined benefit plans of the municipality was treated as a defined contribution plan, whereas in the 2006/2007 year the municipality adhered to the requirements of IAS19. **Refer to the notes on changes in accounting policies in this regard.**

Own Administered defined benefit plans

The defined benefit obligation, the related current cost and where applicable, past-service cost, is determined by using the Projected Unit Credit Method. A portion of the actuarial gains and losses is recognised as revenue or expense, provided the net cumulative actuarial gains and losses at the end of the previous reporting period exceed the greater of:

- 10% of the present value of the defined benefit obligation at that date (before deducting plan assets); and
- 10% of the fair value.

The portion of the actuarial gains and losses to be recognised is equal to the excess calculated, using the above limits and divided by the expected average remaining working lives of employees participating in the plan. Unvested past-service cost is recognised as an expense on the straight-line basis over the average period until the benefits become vested, while vested past-service costs are recognised as an expense in the Statement of Financial Performance.

Provincially administered defined benefit plan

The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

15. POST RETIREMENT BENEFITS(continued)

15.2 Medical Aid: Continued Members

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality. According to the rules of some of the Medical Aid Funds, with which the Municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of the medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

16 LEASES

16.1 The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on the straight line basis over the term of the relevant lease.

16.2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income are recognised on the straight line basis over the term of the relevant lease.

17 BORROWING COSTS (expensed)

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

18 VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the cash basis.

19 CASH AND CASH EQUIVALENTS

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

20 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

21 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

22 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

23 FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

24 COMPARATIVE INFORMATION

24.1 Current year comparatives

Budgeted amounts have been included in the Annual Financial Statements for the current financial year only.

24.2 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

1. HOUSING DEVELOPMENT FUND

	2007	2006
	R	R
Balance at beginning of the year	11 239 726	10 518 771
Income	-	8 073 079
Land Sales	-	-
Land Sales	-	-
Housing Selling Scheme Loans	-	7 094 965
Housing Letting Scheme Loans	-	978 115
Housing Selling Scheme Loans Interest	-	-
Housing Debtors	-	-
Less: Expenditure	-	7 352 124
Funding Capital Projects	-	6 450 000
Funding Operating Projects	-	902 124
Total Housing Development Fund assets and liabilities	11 239 726	11 239 726

2. RESERVES

Capital Replacement Reserve	68 152 446	70 959 089
Future Depreciation Reserve		-
Assets financed ex Capitalisation Reserve	86 924 317	96 124 980
Assets financed ex Government Grant	86 616 777	62 434 943
Assets financed ex Donations and Public Contributions	81 216 397	83 780 170
	322 909 937	313 299 183

The Capital Replacement Reserve is fully funded and invested in ring-fenced financial instruments.

3. LONG-TERM LIABILITIES

Local registered stock loans	949 222	959 222
Annuity loans	873 996	1 113 969
Capitalised lease liability (Refer to note 32.1 for correction of error)	2 273 224	2 700 175
Government loans: Other	-	-
Sub-total	4 096 443	4 773 366
Less: Current portion transferred to current liabilities	386 395	367 295
Local registered stock loans	146 423	127 323
Annuity loans	239 972	239 972
Capitalised lease liability	-	-
Government loans: Other	-	-
Total external loans	3 710 048	4 406 071

Refer to Appendix A for more detail on long-term liabilities

Finance lease liabilities - Minimum lease payments:		
No later than 1 year	1 086 549	1 039 885
Later than 1 year and no later than 5 years	1 964 394	3 050 943
Later than 5 years	-	-
	3 050 943	4 090 828
Future finance charges on finance leases	(777 719)	(1 390 653)
	2 273 224	2 700 175
The present value of finance lease liabilities is as follows:		
No later than 1 year	744 307	426 951
Later than 1 year and no later than 5 years	1 528 917	2 273 224
Later than 5 years	-	-
	2 273 224	2 700 175

4. NON-CURRENT PROVISIONS

Provision for Post Employment Health Care Benefits	70 029 687	12 676 062
Provision for Ex-Gratia Pensioners	1 030 000	-
Provision for Long Service Awards	3 935 469	1 127 824
	74 995 156	13 803 886
Less: Transfer to Current Provisions	6 457 918	2 343 350
Post Employment Health Care Benefits	6 073 519	1 794 238
Ex Gratia Pensioners	121 298	-
Long Service Awards	263 101	549 112
Non-Current defined Benefit Plan Provision	68 537 238	11 460 536
Provision for Post Employment Health Care Benefits	63 956 168	10 881 824
Provision for Ex-Gratia Pensioners	908 702	-
Provision for Long Service Awards	3 672 368	578 712

Refer to note 41 'Other Defined Benefit Plan Information' to the financial Statements for more information regarding the Provision for Post Employment Health Benefits for Current Employees and Continuation Members, the Provision for Ex-Gratia Pensioners Liability and the Long Service Awards Liablity.

Refer to note 33.1 for details regarding change in accounting policy.

5. NON-CURRENT DEPOSITS

	2007 R	2006 R
Santos Pavilion Repair Fund		
Balance at beginning of year	310 770	296 591
Contributions during the year	-	-
Interest on Investment	20 674	14 180
Expenditure during the year	-	-
	331 444	310 770

This fund was created after the Pavilion burnt down a number of years ago. An entrepreneur restored the pavilion to its original form in exchange for a 99-year lease at a reasonable rent. It was also a condition that he should make available an amount of R100,000 to the council as an investment. Interest earned may be used by Council for the maintenance of the building should he fail to do it himself.

6. CONSUMER DEPOSITS

Electricity and Water	7 670 989	6 894 399
Total consumer deposits	7 670 989	6 894 399
Included in deposits are no accrual of interest		
Guarantees held in lieu of electricity deposits	10 000	10 000

Included in the amount of R7,670,989 is an amount of R10,000 (R10,000 for 2006)

7. PROVISIONS

Alien Vegetation	1 126 800	-
Illegal Dumping	245 000	-
Post Retirement Benefits	6 194 816	1 794 238
Current portion of long-service provision	263 101	549 112
Performance Bonuses	431 708	358 991
Total Provisions	8 261 425	2 702 342

Performance bonuses accrue to employees on a quarterly basis, subject to certain conditions. The provisions is an estimate of the amount due to staff at the reporting date.

The movement in current provisions are reconciled as follows:	Alien Vegetation	Illegal Dumping	Post Retirement Benefits	Long-service	Performance Bonuses
30 June 2007					
Balance at beginning of year	-	-	1 794 238	549 112	358 991
Transfer from non-current		-	6 194 816	263 101	
Contributions to provisions	1 126 800	245 000			431 708
Expenditure incurred	-	-	(1 794 238)	(549 112)	(358 991)
Balance at end of year	1 126 800	245 000	6 194 816	263 101	431 708

30 June 2006

Balance at beginning of year	-	-	-	-	-
Transfer from non-current	-	-	3 449 682	846 606	-
Contributions to provisions	-	-	-	-	358 991
Expenditure incurred	-	-	(1 655 444)	(297 493)	-
Balance at end of year	-	-	1 794 238	549 112	358 991

8. CREDITORS

	2007	2006
	R	R
Trade creditors	5 150 544	4 822 906
Payments received in advance	8 358 490	4 305 643
Accrued Expenditure	1 944 550	1 880 901
Retentions	4 951 281	2 464 117
Staff leave	4 498 782	4 081 357
Recoverable Expenditure	-	-
Other creditors	199 503	1 640 202
Other deposits	4 305 865	4 635 076
Total creditors	29 409 015	23 830 203

9. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

		2007	2006
		R	R
9.1	Conditional grants from other spheres of government	11 840 244	4 008 249
	Provincial Grants (Note 21)	476 307	1 223 802
	National Grants (Note 21)	9 807 777	622 722
	Other Government Grants	1 556 159	2 161 725
9.2	Other conditional receipts	210 841	856 834
	District Municipality	3 821	79 401
	Developers contributions	201 195	776 648
	Public contributions	5 825	785
Total conditional grants and receipts		12 051 085	4 865 082

See Note 21 for reconciliation of grants from other spheres of government.

These amounts are invested in a ring-fenced investment until utilised in terms of section 12 of the MFMA.

10. VAT

	2007	2006
Opening Balance	(4 623 877)	(3 852 412)
VAT Payable (output)	32 713 885	26 575 668
VAT Receivable (Input)	(27 844 063)	(15 093 578)
Paid to SARS	(3 256 197)	(12 253 555)
Net VAT Payable	(3 010 251)	(4 623 877)

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over SARS.

11. PROPERTY, PLANT & EQUIPMENT

	Cost	Accumulated Depreciation	Carrying Value
As at 30 June 2006	R	R	R
Land and Buildings	146 745 797	18 340 718	128 405 079
Infrastructure	315 579 130	102 721 435	212 857 695
Community	25 823 837	7 832 103	17 991 734
Other	48 597 024	22 035 963	26 561 061
	536 745 788	**150 930 219**	**385 815 569**

	Cost	Accumulated Depreciation	Carrying Value
As at 30 June 2007	R	R	R
Land and Buildings	161 863 149	19 763 341	142 099 808
Infrastructure	364 555 188	115 989 273	248 565 915
Community	26 325 921	8 767 892	17 558 029
Other	61 090 876	28 443 088	32 647 788
	613 835 134	**172 963 595**	**440 871 539**

Refer to Appendix B and B(1) for more detail.

The municipality did not review the useful life or the depreciation method used on the assets recognized in the annual financial statements for the 2006/2007 and 2005/2006 financial years. Furthermore the municipality did not perform impairment testing or recorded any impairment losses during the 2006/2007 and 2005/2006 financial years. These requirements were not adhered to due to the exemptions granted in Gazette 30013.

Included in land and buildings are items that may meet the definition of investment property but have been included in PPE because the municipality had not finalized the process of identifying investment property for reporting purposes. These items will be transferred to investment property once they have been identified as investment property in terms of the definition in IAS 40 (AC 135).

Other assets include the following amounts where the Municipality is a lessee under a finance lease:	**2007**	**2006**
	R	**R**
Cost- Capitalised finance leases	3 216 309	3 014 423
Accumulated depreciation	(1 162 477)	(408 586)
	2 053 832	2 605 837

Please refer to note 31.1 for details regarding correction of error.

12. INTANGIBLE ASSETS

Carrying values at the beginning of the year	3 519 284	-
Cost	6 265 583	-
Accumulated amortisation	(2 746 299)	-
Acquisitions	1 601 114	-
Transfer from Property, plant and equipment (Correction of error per note 32.2)	-	6 265 583
Amortisation	(525 737)	(2 746 299)
Carrying values at the end of the year	4 594 661	3 519 284
Cost	7 866 697	6 265 583
Accumulated amortisation	(3 272 036)	(2 746 299)

13. LONG-TERM RECEIVABLES

	2007	**2006**
	R	**R**
Loans to controlled Municipal Entities		
Car Loans	172 256	516 523
Study Loans	31 630	113 231
Computer Loans	7 622	28 951
Land Sales Debtors	55 928	234 686
Public Assistance Loans	1 741 001	1 866 288
Housing Selling Scheme Loans	5 175 305	5 606 578
	7 183 743	8 366 258
Less: Current portion transferred to current receivables	281 361	503 770
Car Loans	149 363	193 485
Study Loans	-	-
Computer Loans	6 145	10 701
Loans Public Organisations	124 313	127 323
Land Sales Debtors	1 540	172 261
Housing Selling Scheme Loans	-	-
Sub Total	6 902 382	7 862 488
Less Provision for bad debts	3 163 811	-
Total	3 738 571	7 862 488

Loans to Employees

Staff were entitled to various loans e.g. car and computer loans which attract interest at 8% and 8,5% per annum and which are repayable over a maximum period of 6 years.

These loans were granted before the implementation of the MFMA and the last of the loans are repayable by May 2010.

Public assistance loans

To facilitate the development of sporting facilities, loans were made to provide the necessary

financial assistance. These attract interest at a rate of 8% to 15% per annum and are repayable over a maximum period of 15 years.

Housing Selling Scheme Loans

Housing loans are granted to qualifying individuals in terms of the National Housing Policy. These loans attract interest at a rate determined by the National Minister of Housing.

Land Sales

Loans were granted to qualified individuals by Council. These loans attract interest at market-related interest rates.

14. INVENTORY

	2007 R	2006 R
Consumable stores - at cost	286 660	35 211
Maintenance materials - at cost	2 594 923	2 286 130
Meters	91 109	32 254
Spare parts - at unauthorised value	6 138	5 133
Purification Materials	422 098	238 197
Unsold properties held for resale - at unauthorised value	10 294 427	17 700 816
Water purification	109 755	-
Total inventory	13 805 110	20 297 741

Inventory 2004/2005 = R3 233 730. Unsold properties held for sale transferred to inventory = R10 294 427. Total inventory = R13 805 110

Stocks of R32,364 (R32,364 in 2005/06) were written off during this financial year.

Water purification costs incurred for non-purchased water have been capitalised as part of inventories in the current financial year, whereas these costs were not capitalised in the prior financial year. Pre-purified water was not capitalised in the current and prior financial year as this requirement of GAMAP 12 have been exempted in terms of General notice 552 of 2007.

15. CONSUMER DEBTORS

As at 30 June 2007	Gross Balances	Provision for Bad Debts	Net Balance
Service debtors	61 375 149	38 634 156	22 740 993
Rates	7 255 922	2 596 680	4 659 242
Electricity	8 950 223	855 117	8 095 106
Water	19 002 023	15 544 604	3 457 419
Refuse	8 191 406	7 347 766	843 640
Sewerage	17 975 575	12 289 989	5 685 586
Debtpack Collections	1 402 746	1 401 991	754
Land Sales	122 161	77 274	44 887
Housing Instalments	1 907 891	1 693 554	214 337
Housing rentals	440 494	359 081	81 412
Sundry Debtors	1 195 406	646 203	549 202
Total	66 443 846	42 812 260	23 631 586
As at 30 June 2006			
Service debtors	47 590 332	29 069 526	18 520 806
Rates	7 832 905	4 644 147	3 188 759
Electricity	7 458 708	1 621 065	5 837 643
Water	13 094 206	9 118 325	3 975 881
Refuse	6 052 895	4 001 044	2 051 852
Sewerage	13 151 617	9 684 946	3 466 670
Debtpack Collections	1 394 389	1 387 790	6 599
Housing Instalments	2 121 000	1 930 950	190 050
Housing rentals	444 143	425 691	18 452
Sundry Debtors	1 332 313	681 207	651 106
Total	52 882 176	33 495 164	19 387 012

Sundry debtors were moved from Other Debtors to Consumer Debtors.
Refer to note 34 for details of change in estimate - provision for bad debts.

Rates: Ageing	2007 R	2006 R
Current (0 -30 days)	2 565 002	2 669 402
31 - 60 Days	202 124	320 786
61 - 90 Days	245 721	198 571
91 - 120 Days	145 162	651 911
121- 365 Days	1 785 794	3 992 235

> 365 Days	2 312 118	
Total	7 255 922	7 832 905

Electricity, Water, Refuse and Sewerage): Ageing		
Current (0 -30 days)	17 687 065	12 668 879
31 - 60 Days	1 654 729	1 467 854
61 - 90 Days	1 405 081	1 195 314
91 - 120 Days	1 348 952	3 171 109
121- 365 Days	10 499 626	21 254 270
> 365 Days	21 523 773	
Total	54 119 227	39 757 426
Debtpack Collections		
Current (0 -30 days)	754	5 897
31 - 60 Days	-	702
61 - 90 Days	-	-
91 - 120 Days	200	169 840
121- 365 Days		1 217 950
> 365 Days	1 401 791	
Total	1 402 746	1 394 389
Housing Instalments		
Current (0 -30 days)	74 457	107 437
31 - 60 Days	20 200	41 089
61 - 90 Days	23 913	41 524
91 - 120 Days	23 411	479 628
121- 365 Days	165 049	1 451 322
> 365 Days	1 600 863	
Total	1 907 891	2 121 000
Housing rentals: Ageing		
Current (0 -30 days)	15 500	9 838
31 - 60 Days	4 363	4 640
61 - 90 Days	4 417	3 974
91 - 120 Days	24 921	54 455
121- 365 Days	36 683	371 236
> 365 Days	354 559	
Total	440 444	444 143
	2007	**2006**
Sundry Debtors	**R**	**R**
Current (0 -30 days)	460 339	596 236
31 - 60 Days	46 487	35 012
61 - 90 Days	42 376	19 858
91 - 120 Days	43 248	149 958
121- 365 Days	109 322	531 249
> 365 Days	493 633	
Total	1 195 406	1 332 313
Land Sales		
Current (0 -30 days)	1 631	-
31 - 60 Days	608	-
61 - 90 Days	608	-
91 - 120 Days	7 006	-
121- 365 Days	24 420	
> 365 Days	87 888	-
Total	122 161	-

16. OTHER DEBTORS

Accrued Income	9 883 300	4 435 902
Unauthorised expenditure (see Note 38.1)	-	-
Fruitless & wasteful expenditure (see Note 38.1)	-	-
Government subsidies	105 163	2 651 322
Other Debtors	2 757 782	4 305 912
Recoverable Expenditure	-	13 213
Total other debtors	12 746 245	11 406 349

17. CALL INVESTMENT DEPOSITS

Other deposits	207 000 000	155 000 000
Less: Current portion maturing within next 12 months - refer note 18	207 000 000	155 000 000
Total investments	-	-

Council policy is to make investments in accordance with the investment policy as follows:
- That the broad investment policy framework be applicable
- Investments not be placed with foreign banks
- That council does not make use of the services of investment brokers
- Council's total investment portfolio be invested with banks rated as follows:
  - short-term investments (0 - 12 months) only institutions with an A1 and higher rating be used
  - long-term investments (more than 12 months) only institutions with AA or AAA or higher rating be used
- Not more than 50% of the total investments invested with one institution

No investments were written off during the year.

18. BANK, CASH & OVERDRAFT BALANCES

The municipality has the following bank accounts:

Current account (Primary bank account)	**Account Numbers**		
Main Bank Account - ABSA	4055353399	6 429 481	3 910 961
Mossbayda Bank Account	9137428887	-	841 540
ABSA Cheque Account	4054793762	-	-
		6 429 481	4 752 501
Bank statement balance at beginning of year		4 752 501	12 661 947
Bank statement balance at end of year		6 429 481	4 752 501
Cash book balance at beginning of year - overdrawn		11 544 966	6 275 101
Cash book balance at end of year - overdrawn		21 126 209	11 544 966
Petty Cash / Float at beginning of year		9 205	7 655
Petty Cash / Float at end of year		9 380	9 205
INVESTMENTS: Current portion matures within next 12 months - Refer Note 17		207 000 000	155 000 000

All accounts are with ABSA. The balance of account no. 4054793762 - cheque account, is swept to the main account - Primary bank account.
The Mossbayda bank account was a holding account to facilitate the local economic development projects funded by the Industrial Development Corporation (IDC).
The account was closed during the financial year and moneys transferred to the primary bank account.

19. PROPERTY RATES

	2007	**2006**
	R	**R**
Actual		
Residential	27 457 891	22 499 997
Commercial	9 090 594	9 061 801
State	761 071	792 268
Municipal	-	-
Building Clause	30 218	24 830
Assessment Rate: Letting	1 706	1 930
Assessment Rate: State Building Kwa Nonqaba	91 323	78 222
Agricultural	408 696	396 626
Less: Income transferred to reserve fund		-
Less: Income forgone	(2 074 132)	(641)
Total assessment rates	35 767 367	32 855 033

	July 2006	**July 2005**
Valuations	**R000's**	**R000's**
Residential	5 367 021 360	4 890 212 660
Commercial	1 116 329 200	1 022 977 500
State	112 144 400	106 044 400
Municipal	308 942 110	304 258 110
Building Clause	7 503 840	9 365 601
Assessment Rate: Letting	-	-
Assessment Rate: State Building Kwa Nonqaba	12 135 800	12 135 800
Agricultural	288 323 800	284 875 800
Total property valuations	7 212 400 510	6 629 869 871

The General Valuation on land and buildings is performed every 4 years. The last General Valuation came into effect on 1st July 2003. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and sub divisions. Rates are levied on an annual basis with the final date for payment being 30 September. The basic rate for the 2006/2007 financial year varies between R0,001402 to R0,011960 for land, and R0,001100 to R0,007072 on buildings respectively. Qualifying pensioners receive an additional rebate of 15% and 30% on property tax. With regards to needy families where the joint income of husband and wife amounted to less than R2,500, interest at prime plus 1% per annum is levied on rates outstanding after due date.

		2007	2006
20.	**SERVICE CHARGES**	**R**	**R**
	Sale of electricity	110 956 239	95 284 581
	Sale of water	42 876 722	38 166 762
	Refuse removal	17 187 722	16 314 396
	Sewerage & sanitation charges	32 669 197	28 948 387
	Total service charges	203 689 880	178 714 127
21.	**GOVERNMENT GRANTS & SUBSIDIES**		
	Equitable share	15 944 442	10 764 093
	Provincial health subsidies	-	3 711 164
	National Government Grants	20 459 690	8 058 235
	Provincial Government Grants	10 189 217	19 467 223
	Main Road Subsidy - Provincial	1 552 163	215 155
	IDC - Mossbayda	-	306 567
	Other	757 098	3 635 085
	Total Government Grant & Subsidies	48 902 610	46 157 522

21.1 Equitable Share

These grants are used to subsidise the provision of basic services to indigent communities

21.2 Provincial health subsidies

Balance unspent at beginning of year	544 498
Conditions met - transferred from liabilities	6 432
Current year receipts - included in public health vote	3 809 419
Conditions met transferred to assets	6 432
Conditions met - transferred to revenue	3 711 164
Conditions still to be met - transferred to liabilities (see note 9)	636 321

The Municipality renders health services on behalf of the Provincial Government and is refunded 100% of all expenditure incurred. This subsidy has been used exclusively to fund clinic services. The conditions of the grant have been met.

	2007	2006
21.3 National Government Grants	**R**	**R**
Balance unspent at beginning of year	622 722	549 737
Current year receipts	29 644 745	8 229 175
Adjustments	-	(97 955)
Conditions met - transferred to revenue	20 459 690	8 058 235
Conditions still to be met - transferred to liabilities (see note 9)	9 807 777	622 722

Those received from National Government are for operational and capital expenditure. Other than the amounts unspent, the conditions of the grants have been met. No funds have been withheld.

21.4 Provincial Government Grants

Balance unspent at beginning of year	1 223 802	1 006 860
Current year receipts	9 441 722	19 217 702
Adjustments	-	466 463
Conditions met - transferred to revenue	10 189 217	19 467 223
Conditions still to be met - transferred to liabilities (see note 9)	476 307	1 223 802

21.5 Main Roads Subsidy

Balance unspent at beginning of year	-	
Current year receipts	1 552 163	215 155
Conditions met - transferred to revenue	1 552 163	215 155
Conditions still to be met - transferred to liabilities (see note 9)	-	-

The Municipality received various grants from PAWC for operational and capital projects. Other than the amounts unspent, the conditions of the grants have been met. No funds have been withheld.

22. OTHER INCOME

	2007	2006
	R	R
Building Plan Fees	3 188 042	5 008 784
Camping Fees	3 444 432	3 570 430
Rental Chalets	3 380 850	3 174 935
Availability Fees (Services)	10 429 081	8 461 518
Land Usage Fee	703 867	901 745
Contributions from External Services	19 009 206	7 857 307
Contributions from Land Sales	455 503	381 663
Insurance Claims	838 981	791 682
Other	6 701 792	5 996 573
Total other income	48 151 755	36 144 637

23. PUBLIC CONTRIBUTIONS

District Municipality	1 247 112	2 495 513
Developers Contributions	2 165 718	929 797
Public Contributions	30 659	513 197
Connection Fees	1 293 646	2 049 491
Other	-	9 000
Total public contributions	4 737 135	5 996 998

23.1 District Municipality

Balance unspent at beginning of year	79 401	30 000
Current year receipts	1 171 532	2 544 913
Adjustments	-	-
Conditions met - transferred to revenue	1 247 112	2 495 513
Conditions still to be met - transferred to liabilities (see note 9)	3 821	79 401

23.2 Developers Contributions

Balance unspent at beginning of year	776 648	488 331
Current year receipts	2 450 329	1 218 115
Adjustments	860 065	-
Conditions met - transferred to revenue	2 165 718	929 797
Conditions still to be met - transferred to liabilities (see note 9)	201 195	776 648

23.3 Public Contributions

Balance unspent at beginning of year	785	235 681
Current year receipts	35 700	278 300
Adjustments	-	-
Conditions met - transferred to revenue	30 659	513 197
Conditions still to be met - transferred to liabilities (see note 9)	5 825	785

The Municipality receives grants from various private funders for operational and capital projects. Other than the amounts unspent the conditions of the grants have been met. No funds have been withheld.

24. EMPLOYEE RELATED COSTS

	2007	2006
	R	R
Employee-related costs - Salaries, Wages & Bonuses	54 046 765	54 173 230
Employee-related costs - Contributions for UIF, pensions & medical aids	11 703 618	12 932 570
Contributions to Post Retirement Benefits Provision	60 163 147	2 331 506
Travel, motor car, accommodation, subsistence & other allowances	5 584 126	3 816 048
Housing benefits & allowances	762 061	733 830
Overtime payments	5 231 808	4 234 563
Executive packages	3 364 311	2 640 578
Less: Employee costs capitalised and to other operating maintenance	(468 621)	(801 041)
Total employee-related costs	140 387 216	80 061 285
Remuneration of the Municipal Manager		
Annual remuneration	567 929	438 516
Performance bonuses	111 747	104 437
Car allowance	82 487	120 000
Administration	-	16 391
Telephone	-	24 000
Contributions to UIF, Medical & Pension Funds	68 899	90 419
Group Insurance	-	6 624
Industrial Council	36	32
Total	831 099	800 419

Remuneration of the Chief Financial Officer		
Annual remuneration	361 062	322 422
Performance bonuses	90 334	83 549
Car allowance	96 000	96 453
Contributions to UIF, Medical & Pension Funds	132 598	131 244
Group Insurance	6 624	6 624
Industrial Council	36	32
Total	686 654	640 324

Remuneration of individual executive directors **30 June 2007**	**Electro-Technic Services**	**Technical Services**	**Corporate Services**	**Community Services**
Annual remuneration	162617.5	237 129	315 188	291 380
Performance bonuses	37639.01	37 639	15 056	90 334
Acting allowance		34 539	-	-
Car allowance	42500	-	100 000	108 000
Administration		-	12 293	79 985
Telephone		-	20 000	36 000
Contributions to UIF, Medical & Pension Funds	43034.25	13 783	80 147	74 295
Group Insurance	2760	-	5 520	6 624
Industrial Council	15	15	30	36
Total	288 566	323 105	548 234	686 654
30 June 2006				
Annual remuneration	-	203 872	-	242 889
Performance bonuses	-	76 057	69 367	83 549
Acting allowance	-	30 899	58 477	-
Car allowance	-	56 713	-	120 000
Administration	-	-	-	79 985
Telephone	-	-	-	36 000
Contributions to UIF, Medical & Pension Funds	-	60 185	-	71 302
Group Insurance	-	3 864	-	6 624
Industrial Council	-	19	-	32
Total	-	431 608	127 844	640 382

The Directorate: Electro-Technical Services was established during the year under review and therefor no comparitives are available in this regard.

25. REMUNERATION OF COUNCILLORS

	2007 **R**	**2006** **R**
Executive Mayor	375 296	270 779
Executive Deputy Mayor	361 158	227 640
Speaker	281 015	226 645
Mayoral Committee members	854 468	648 307
Councillors	2 146 276	1 396 874
Councillors' pension contributions	453 914	322 095
Councillors' medical contributions	56 402	70 013
Travel Cost in Excess of 500km	18 961	-
Total Councillors' remuneration	4 547 490	3 162 351

In kind benefits

The Executive Mayor, Executive Deputy Mayor, Speaker and Mayoral Committee members are employed on a full-time basis. Each is provided with an office and administrative secretarial support at Councils cost. The Executive and Deputy Mayor have access to Council-owned vehicles for ceremonial and official functions. Full-time Councillors are equipped with computers in their offices.

26. BAD DEBTS

	2007 **R**	**2006** **R**
Contribution to Bad Debt Provision	5 134 041	4 358 638
Bad Debts written-off : Services	585 585	6 468 796
	5 719 626	10 827 434

27. INTEREST PAID

External Borrowings	554 132	221 894
Current Deposit	47 065	52 171
Total interest	601 197	274 065

28. BULK PURCHASES

Electricity	53 003 273	45 534 418
Water	5 486 928	6 291 656
Total bulk purchases	58 490 201	51 826 074

29. GRANTS & SUBSIDIES PAID

Grants and Donations Public	-	89 710
Grant in Aid (Assessment Rates)	-	48 549
Grant in Aid (Services)	2 878 815	8 445 653
Subsidy: Benefit Discount Scheme	995 406	509 896
SPCA	208 641	142 947
Hessequa Municipality	-	15 000
Other Donations	-	-
Total grants & subsidies	4 082 862	9 251 756

Notes to Grants and Subsidies

SPCA
Contribution to pounding of animals

Hessequa Municipality
Contribution to Gouritz Nature Conservation Area

30. GENERAL EXPENSES

	2007	2006
	R	R
Audit Fees - External Auditors	896 171	534 356
Bank Charges	1 292 490	1 159 577
Community Meetings	50 272	64 919
Conferences & Seminars	48 219	30 080
Consultant Fees	2 134 357	331 860
Contract Work	1 368 884	926 754
Contributions to Leave Gratuity Provision	859 298	198 410
Contributions to Long Service Bonus Provision	3 149 950	1 425 317
Contributions to Alien Vegetation Provision	1 126 800	-
Contributions to Illegal Dumping Provision	245 000	-
Entertainment - Public	8 084	20 292
Fuel & Oil	3 049 856	2 715 149
Hire Charges	42 614	35 450
Housing: Top Structures	270 153	135 584
Industrial & Tourism - Sect. 21 Co	2 010 888	1 881 219
Insurance	1 803 647	2 743 692
Inventory Items	8 286 386	703 093
Lease Charges	(48 894)	408 916
Legal Costs	182 334	518 158
Levy - Bargaining Council	26 518	24 636
Levy - D.M.: Establishment	-	293 509
Levy - D.M Services	-	223 748
Levy - Skills Development (SETA)	622 194	556 515
Levy - Water : DWAF	410 901	350 988
Licence Fees	257 768	214 881
Materials and Stores	4 161 731	4 343 438
Mayor's Public Expenses	33 352	1 146
Municipal Charges	8 359 098	7 358 750
Public Functions	102 282	237 916
Refuse Tip Site - External	1 741 067	1 461 280
Relief / Charitable Expenses	29 959	266 215
Transfer to Transformation Funds	-	86 905
Transfer to Equitable Share	14 317 211	5 945 300
Street Lighting	1 235 049	1 168 826
Telephones and Communications	1 382 269	1 833 061
Travelling & Subsistence	219 872	280 315
Water Rural Areas	307 458	433 087
Other	6 995 254	5 830 874
Less:	(686 496)	(2 833 086)
Stores handling charges	(458 638)	(369 345)
Vehicle and Equipment Recoveries	(13 771)	(77 219)
Departmental Costs	-	-
Recoverable Expenditure	(214 087)	(2 386 522)
	66 291 996	41 911 132

31. DISCONTINUING OPERATIONS

The operations of the health services, namely Clinics, Community Services and Prime Care, was discontinued during the year and transferred to the Provincial Administration Western Cape. The analysis of the profit as disclosed on the Statement of Financial Performance is as follows:

Government subsidies	4 041 212	-
Insurance claims	26 647	-
Gains from disposal of property, plant and	13 158	-
Toatal income	4 081 017	-
Less: Expenditure	3 016 526	-
General expenses	160 494	-
Employee related cost	2 842 194	-
Repairs and maintenance	13 838	-
Net surplus from discontinuing operations	1 064 491	-

The requirements of IFRS 5 have been applied prospectively as allowed by the mentioned Standard.

32. CORRECTION OF ERROR

	R	R

32.1 Finance leases were incorrectly accounted for as operating leases with the following effect on the Statement of Financial Position: Finance lease assets with a cost price of R3 014 423 should have been capitalised and an amount of R408 586 should have been provided for depreciation. A finance lease liability of R2 700 175 should have been provided for. (Refer to note 3 and 11 for the restatement of the preceding year balances). The effect on the Statement of Financial Performance was as follows: The lease payments were expensed and no depreciation was provided. The comparative amounts have been restated with the effect

Decrease in net surplus for the year	1 170 626	94 338
The restatement of the accumulated surplus at the beginning of the year - decrease	94 338	-
Cumulative effect at the end of the year - decrease	1 264 964	94 338
Increase in lease assets - Cost	201 886	3 014 423
Increase in accumulated depreciation	753 891	408 586
Increase / (decrease) in lease liability	(426 951)	2 700 175

The accumulated surplus was not restated at 30/06/2005 as the calculation was impracticable and the effect would be immaterial.

32.2 Intangible assets were incorrectly disclosed as part of property, plant and equipment. An amount of R6 265 583 should have been included in Intangible assets with an amount of R2 746 299 that should have been included in accumulated amortisation. Comparative information has been restated. In the current year, intangible assets were treated correctly.

The effect of the correction on the financial statements is as follows:

Increase in intangible assets	3 519 284
At cost	6 265 583
Acumulated amortisation	(2 746 299)
Decrease in PPE	(3 519 284)
At cost	(6 265 583)
Accumulated depreciation	2 746 299

Opening balances at 1 July 2005 were not restated as it is impracticable for the Municipality to determine the relevant amounts at that date.

32.3 An amount of R110 802.66 was incorrectly treated as a capital grand in stead of Government Grand and Subsidies, and was incorrecly capitalised. The effect on the previous year statements was an overstatement of R110 802.66 in property, plant and equipment and an understement of Government Grand Reserve of same amount. Comparative information has been restated.

33. CHANGE IN ACCOUNTING POLICY

	2007	2006
	R	R

33.1 Post retirement benefits:

During the year the Municipality changed its accounting policy for the provision of Employee Defined Benefit Obligations to comply with the requirements of of IAS 19 as per accounting policy note 15. The obligations are based on actuarial valuations using the projected unit credit method. This change in accounting policy has been applied prospectively from the current year and as a result, comparative information and amounts have not been reclassified and may, therefore, not be consistent with the current year information and amounts.

The change in accounting policy has resulted in the following amounts of vested past service cost as included in note 24, employee related cost:

Post Employment Health Care Benefits	56 933 147	-
Ex Gratia Pensioners	1 030 000	-
Long service awards	3 935 469	-
Decrease in surplus	61 898 616	-
Increase in liabilities	61 898 616	-

33.2 Residual value of assets:

During the year the Municipality changed its accounting policy regarding the calculation of residual value of assets. In previous years, residual values were ignored in the calculation of the depreciable amount of assets. This change in accounting policy has been applied retrospectively and as a result, comparative amounts have been appropriately restated.

The effect of this change in accounting policy is as follows:

Decrease in depreciation for the year	302 447	1 825 812
Restatement of the accumulated surplus at the beginning of the year	1 825 812	-
Total effect at the end of each year - Decrease in accumulated depreciation	2 128 259	1 825 812

The balance of the accumulated surplus account at 30/06/2005 was not changed due to the impracticability of determining the effects of the changes for that year.

34. CHANGE IN ACCOUNTING ESTIMATE: PROVISION FOR BAD DEBTS REVIEWED

The municipality changed the estimated provision for bad debts as the assessment of debtors was done collectively after grouping the assets in financial assets with similar credit risk characteristics . In the previous year, all debtor balances outstanding 90 days and longer were provided. This has resulted in the following change in the provision for the year:

Bad debt provision	
- According to the previous method	41 988 419
- According to the risk classification method	45 976 071
Increase in provision for bad debts	3 987 652

35. CASH GENERATED BY OPERATIONS

	2007	2006
	R	R
Surplus for the year	18 323 987	71 059 228
Adjustment for:		-
Depreciation	21 334 287	20 639 026
Gain and loss on disposal of property, plant and equipment	257 905	(63 488)
Contributions to provisions (non-current)	63 325 543	12 529 295
Contributions to provisions (current)	2 662 806	
Contributions to bad debt provision	9 317 097	-
Investment Income	(17 269 843)	(11 336 462)
Interest paid	601 197	274 065
Operating surplus before working capital changes:	98 552 979	95 669 097
Decrease in inventories	6 492 631	636 806
(Increase)/decrease in debtors	(13 561 671)	(6 546 026)
(Increase)/decrease in other debtors	(1 339 896)	(869 712)
(Decrease)/increase in conditional grants & receipts	7 186 002	(2 101 226)
Increase in creditors	5 578 812	1 238 684
Cash generated by operations	102 908 858	88 027 623

36. CASH & CASH EQUIVALENTS

Cash & cash equivalents included in the cash flow statement compromise the following statement of amounts indicating financial position:	2007 R	2006 R
Bank balance and cash	9 380	9 205
Bank overdraft	21 126 209	11 544 966
Total cash and cash equivalents	(21 116 829)	(11 535 761)

37. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term liabilities (see note 3)	4 096 443	2 073 190
Used to finance PPE - at cost		(2 073 190)
Sub-total	-	-

Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date (See note 18)

38. UNAUTHORISED, IRREGULAR, FRUITLESS & WASTEFUL EXPENDITURE DISALLOWED

38.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure		
Opening balance	-	-
Unauthorised expenditure current year	-	-
Approved by council or condoned	-	-
Transfer to receivables for recovery (note 15)	-	-
Unauthorised expenditure awaiting authorisation	-	-

38.2 Fruitless & wasteful expenditure

Reconciliation of fruitless and wasteful expenditure		
Opening balance	-	-
Fruitless and wasteful expenditure current year	-	-
Condoned or written off by Council	-	-
To be recovered - contingent asset	-	-
Fruitless and wasteful expenditure awaiting condonement	-	-

38.3 Irregular expenditure

Reconciliation of irregular expenditure		
Opening balance	-	-
Fruitless and wasteful expenditure current year	-	-
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting condonement	-	-

39. ADDITIONAL DISCLOSURES i.t.o THE MFMA

39.1 Contributions to SALGA

Opening balance	-	-
Council subscriptions	281 847	309 176
Amount paid - current year	(281 847)	(309 176)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

39.2 Audit fees

External Audit Fees		
Opening balance	-	-
Current year audit fee	896 171	534 356
Amount paid - current year	(896 171)	(534 356)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

Internal Audit Fees		
Opening balance		-
Current year audit fee	613 720	601 433
Amount paid - current year	(613 720)	(601 433)
Amount paid - previous years		-
Balance unpaid (included in creditors)	-	-

39.3 VAT

VAT inputs receivables and VAT outputs receivables are shown in Note 10.
All VAT returns have been submitted by the due date throughout the year.

39.4 PAYE and UIF

Opening balance		-
Current year payroll deductions	9 508 159	8 222 104
Amount paid - current year	(9 508 159)	(8 222 104)
Amount paid - previous years		-
Balance unpaid (included in creditors)	-	-

39.5 Pension, Provident and medical aid deductions	**2007 R**	**2006 R**
Opening balance		-
Current year payroll deductions and council contributions	18 958 501	17 685 388
Amount paid - current year	(18 958 501)	(17 685 388)
Amount paid - previous years		-
Balance unpaid (included in creditors)	0	-

39.6 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days

30 June 2007	Total	Outstanding less than 90 days	Outstanding more than 90 days
Councillor S Moodie	4 054	1 786	2 268
Councillor R Skombingo	1 190	788	403
Total Councillor Arrear Consumer Accounts	5 244	2 574	2 670

30 June 2006	Total	Outstanding less than 90 days	Outstanding more than 90 days
Councillor K Vanda	270	270	-
Total Councillor Arrear Consumer Accounts	270	270	-

	Highest Amount Outstanding	Ageing
30 June 2007		
Councillor S Moodie	1 681	150 + days
Councillor R Skombingo	387	30 days
30 June 2006		
Councillor K Vanda	270	60 days

39.7 Non-compliance with Chapter 11 of the MFMA

There were no deviations in terms of chapter 11 of the MFMA

39.8 LEVIES PAID TO OTHER GOVERNMENT ORGANISATIONS	**2007 R**	**2006 R**
39.8.1 Levy District Municipality: Establishment	-	293 509
39.8.2 Levy District Municipality: Services	-	223 748
39.8.3 Skills Development Levy	622 194	556 515

40. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:		
-approved and contracted for	37 715 700	8 541 482
Infrastructure	23 485 700	7 901 482
Community	2 280 000	640 000
Heritage	-	-
Other	-	-
Specialised Vehicles	11 950 000	-
Investment Properties	-	-
	-	
-approved but not yet contracted for	51 319 566	67 145 518
Infrastructure	42 167 466	56 867 118
Community	4 454 800	839 000
Heritage	-	-
Other	2 135 300	7 219 400
Housing Development Fund	2 562 000	2 220 000
Investment Properties	-	-
Total	89 035 266	75 687 000
This expenditure will be financed from:		
-External loans	-	7 761 000
-Capital replacement reserve	59 942 266	46 996 000
-Government grants	19 073 000	14 072 000
-Public contributions / donations	6 020 000	2 138 000
-District Council grants	-	2 500 000
-Housing Trust Fund	4 000 000	2 220 000
	89 035 266	75 687 000

41. RETIREMENT BENEFIT INFORMATION

41.1 Post Employment Health Care Benefits

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

- In-service members	363
- Continuation members	86
Total	**449**

The liability in respect of past service has been estimated to be as follows:	**2007**
	R
- In-service members	30 725 918
- Continuation members	39 303 769
	70 029 687

The municipality makes monthly contrbutions for health care arrangerments to the following medical aid schemes:

- Bonitas;
- Global Health;
- Hosmed;
- LA Health;
- Munimed;
- Samwumed.

The future service cost for the ensuing year is established to be R2 597 800, whereas the interest-cost for the next year is estimated to be R6 050 565.

Key actuarial assumptions used:

i) Rate of interest

Investment return	**8.64%**
Health Care Cost Inflation Rate	**7.64%**
Net Effective Discount Rate	**1.00%**

ii) Mortality rates

The PA 90 ult. Mortality table was used by the actuaries.

iii) Normal retirement age

The normal retirement age for employees of the municipality is 60 years.

iv) Gender

Where the gender of pensioners had not been available for the actuaries, the prudent assumption had been made that those pensioners are females.

v) Current age

Where the dates of birth of continuation members had not been available to the actuaries, an age of 62 had been assumed, as the average age of continuation members is 62.

The amounts recognised in the Statement of Financial Position are as follows:

	2007	2006
	R	R
Present value of fund obligations	70 029 687	-
Fair value of plan assets	-	-
	70 029 687	-
Unrecognised past service cost	-	-
Unrecognised actuarial losses	-	-
Present value of unfunded obligations	70 029 687	12 676 062
Net liability	70 029 687	12 676 062

The municipality had elected to recognise the full increase in this defined benefit liability immediately, as per IAS 19 *Employee Benefits,* paragraph 155(a).

The amount recognised in the Statemement of Financial Performance are as follows:

Current service cost	-	-
Interest cost	-	-
Vested past service cost	56 933 147	-
Total included in employee related costs (Note 24)	56 933 147	-

The movement in the defined benefit obligation over the year is as follows:

	2007	2006
	R	R
Beginning of the year	12 676 062	12 000 000
Contributions	59 133 147	2 331 506
Benefits paid	(1 779 522)	(1 655 444)
End of the year	70 029 687	12 676 062

The movement in the fair value of plan assest over the year is as follows:

Fair value at beginning of the year	0	0
Employer contributions	1 779 522	1 555 444
Employee contributions	0	0
Benefits paid	(1 779 522)	(1 555 444)
	0	0

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

	Increase	Decrease
Effect on the aggregate of the current service cost and the interest cost	10 416 904	7 309 420
Effect on the defined benefit obligation	82 479 176	60 363 315

41.2 Ex-Gratia Pensioners Defined Benefit Obligation

The Ex-Gratia Pensioner Benefit Plan is defined benefit plan. As at 1 March 2007, 17 pensioners were elegible for payments in terms of this plan.

The Municipality provides pension benefits to all employees that are not members of the Pension - or Provident Funds, that have completed at least 10 years of service at the Council and have reached the age of 60. The benefit is calculated according to the average annual salary earned during the last year of service multiplied by number of years of service, devided by 60.

The contribution rate payable is as follows:
For continuation members, the member contribution is 70 % and the Councill contribution is 30%. For current employees the contribution rate is 60/40.

The interest-cost for the next year is estimated to be R88 973. Actuaries are of opinion that future service cost need not be determined for pension fund liability as all benefits vests immediately.

Key actuarial assumptions used:	**2007**
i) Rate of interest	
Investment return	**8.64%**
Post Retirement Interest Rate	**4.25%**
Net Effective Discount Rate	**1.89%**

The above-mentioned investment return assumption was arrived at as follows:

Yield on R186 government bond as of 1 March 2007	**7.39%**
Corporate Bond Risk Premium	**1.25%**
	8.64%

ii) Mortality rates
The PA 90 ult. Mortality table was used by the actuaries

iii) Gender
The gender of the pensioners had not been taken into account in the actuarial valuation, hence the prudent assumption had been made that all pensioners are female.

iv) Other information	**R**
Total monthly pension for all pensioners	10 025
Average monthly pension per pensioner	590

The amounts recognised in the Statement of Financial Position are as follows:

	2007	**2006**
	R	**R**
Present value of fund obligations	1 030 000	-
Fair value of plan assets	-	-
	1 030 000	-
Unrecognised past service cost	-	
Unrecognised actuarial losses	-	-
Present value of unfunded obligations	1 030 000	-
Net liability	1 030 000	-

The municipality had elected to recognise the full increase in this defined benefit liability immediately, as per IAS 19 *Employee Benefits,* paragraph 155(a).

The amount recognised in the Statemement of Financial Performance are as follows:	**2007**	**2006**
	R	**R**
Current service cost	-	-
Interest cost	-	-
Vested past service cost	1 030 000	-
Total included in staff costs (Note 24)	1 030 000	-

The movement in the defined benefit obligation over the year is as follows:

Beginning of the year	-	-
Current service cost	-	-
Contributions	1 030 000	-
Interest cost	-	-
Benefits paid	-	-
Actuarial losses	-	-
End of the year	1 030 000	-

The movement in the fair value of plan assest over the year is as follows:

Fair value at beginning of the year	-	-
Employer contributions	549 113	-
Employee contributions	-	-
Benefits paid	(549 113)	-
	-	-

41.3 Long Service Awards

The Long Service Awards plans are defined benefit plans. As at year end, 642 employees were elegible for Long Service Awards.

The future service cost for the ensuing year is estimated to be R359 437, whereas the interest-cost for the next year is estimated to be R314 838.

Key actuarial assumptions used:	**2007**
Discount rate	**8.00%**
Salary Inflation Rate	**6.00%**
Net Effective Discount Rate	**1.89%**

The amounts recognised in the Statement of Financial Position are as follows:

	2007	**2006**
	R	**R**
Present value of fund obligations	3 935 469	1 127 824
Fair value of plan assets	-	-
	3 935 469	1 127 824
Unrecognised past service cost	-	-
Unrecognised actuarial losses	-	-
Present value of unfunded obligations	3 935 469	1 127 824
Net liability	3 935 469	1 127 824

The municipality had elected to recognise the full increase in this defined benefit liability immediately, as per IAS 19 *Employee Benefits,* paragraph 155(a).

The amount recognised in the Statemement of Financial Performance are as follows:

Current service cost	-	-
Interest cost	-	-
Vested past service cost	3 935 469	-
Total included in staff costs (Note 24)	3 935 469	-

The movement in the defined benefit obligation over the year is as follows:

Beginning of the year	1 127 824	-
Current service cost	-	-
Contributions	3 356 758	1 425 317
Interest cost	-	-
Benefits paid	(549 113)	(297 493)
Actuarial losses	-	-
	3 935 469	1 127 824

The movement in the fair value of plan assest over the year is as follows:

Fair value at beginning of the year	0	0
Employer contributions	549 113	297 493
Employee contributions		
Benefits paid	(549 113)	(297 493)
	-	-

The effect of a 1% movement in the assumed general salary inflation rate is as follows:

	Increase	Decrease
Effect on the aggregate of the current service cost	390 675	331 628
Effect on the defined benefit benefit obligation	3 688 000	4 209 000

41.4 INFORMATION ABOUT THE MUNICIPALITY'S OTHER RETIREMENT FUNDS

The personnel of the Mosselbay Municipality are members of the funds as set out below. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below. The Cape Joint Pension Fund and Cape Joint Retirement Fund are defined benefit plans, wheras the Municipal Councillors Fund and the Providend Fund are defined contribution plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following

- The assets of each fund are held in one portfolio; these assets are not notionally allocated to each of the participating employers.
- One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- The same rate of contrbutions applies to al participating employers, and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

CAPE JOINT PENSION FUND

The Cape Joint Pension Fund is a multi-employer plan and the contribution rate payable is 9%, by the members and 18% by Council. The last valuation performed for the year ended 30 June 2006 (30 June 2005) revealed that the fund had an actuarial surplus of R293,01 (R87,2) million with a funding level of 111,4% (103,4%), and is in a sound financial state as at 30 June 2006.

CAPE JOINT RETIREMENT FUND

The contribution rate paid by the members (9,0%) and Council (18,0%) is sufficient to fund the benefits accruing from the fund in future. The last valuation performed for the year ended 30 June 2006 (30 June 2003) revealed that the fund had an actuarial surplus of R38,58 (R0) million with a funding level of 114% (100%). Certified in a sound financial position as at 30 June 2006.

SALA PENSION FUND

The fund has been certified in a sound financial position as at 1 July 2006 and has improved to a position where it is now 100% funded. It should be noted that the rule amendments giving effect to the changes as at 1 July 2003 in terms of the previous Scheme of Arrangement have been approved. Although these rule amendments were fully backdated, there is a risk that some agterskot benefit payments may still necessary in terms of the precedent set by the Adjudicator's ruling that a member was underpaid in a specific instance. Provision for this eventuality has been made in the financial account of the Fund. The Council is contributing an additional 2,71% to the fund as from 1 July 2005 effective from July 2003.

MUNICIPAL COUNCILLORS PENSION

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and council (15%) is sufficient to fund the benefits accruing from the fund in the future. The actuarial valuation of the fund was undertaken at 30 June 2005 and reported a funding ratio of 147.3%.

SOUTH AFRICAN MUNICIPAL WORKERS UNION NATIONAL PROVIDENT FUND

The contribution rate payable is 5% by the members and not less that 12% by Council. The last valuation performed for the year ended 30 June 2005, certified that the fund is in a sound financial state.

42. RELATED PARTY TRANSACTIONS

Parties are considered to be related if:
- One party has the ability to control the other party or
- Exercise significant influence over the other party in making financial and operating decisions.

42.1 Related Party Transactions

	Rates and service charges	Outstanding balances
Year ended 30 June 2007	**R**	**R**
Councillors	117 242	4 763
Municipal Manager and Section 57 Personnel	24 524	-
Municipal Entities	-	-
Year ended 30 June 2006		
Councillors	106 900	270
Municipal Manager and Section 57 Personnel	28 090	-
Municipal Entities	-	-

The rates, service charges and other charges are in accordance with approved tariffs that was advertised to the public. No bad debt expenses had been recognised in respect of amounts owed by related parties.

42.2 Related Party Loans

Loans to Councillors and senior management employees are no longer permitted since 1 July 2004. Loans that were granted prior to this date, together with the conditions, are disclosed in note 12 to the Annual Financial Statements.

42.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 24.

42.4 Other related party transactions

The Municipality is involved in business transactions with a company that is owned by close relatives of Alterlady M Ferreira.
The transactions are concludes in full compliance with the Supply Chain Management policy of the Council and the transaction are considered to be at arms length.

43. FINANCIAL RISK MANAGEMENT

Credit risk is defined as the risk that one party to a financial instrument will fail to honour their obligation, thus causing the other party to incur a financial loss.

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest rate changes.

Potential concentrations of credit risk and interest rate risk consist mainly of fixed deposit investments, long term debtors, consumer debtors, other debtors, short term investment deposits and bank and cash

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well established financial institutions of high quality credit standing. The credit exposure to any single counterparty is managed by setting transaction/exposure limits, which are included in the municipality's investment policy. These limits are reviewed annually by the CFO and authorised by the mayoral committee.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt. Outstanding accounts are followed up monthly and the supply of electricity accounts not paid on due date are cut immediately.

The maximum credit and interest rate risk exposure in respect of relevant financial instruments is as follows:

Description of type of financial instrument	**2007** **R**	**2006** **R**
Fixed deposit investment	207 000 000	155 000 000
Long term debtors	7 183 743	8 366 258
Consumer debtors	61 375 149	47 590 332
Other debtors	5 068 698	5 291 844
Bank and cash balances	9 380	9 205

44. CONTINGENT LIABILITY

44.1 Contractual disputes

Contractual claims in respect of court cases that are currently in dispute and being addressed through mediation the maximum unforeseen liability is estimated at R927 653.

44.2 Guarantees of employees housing loans

Guarantees have been issued to various financial institutions on behalf of officials in respect of the housing loans. This is covered by individual cumulated pensions depending on the years of service. Collateral investments were made in certain cases. The maximum amount of the guarantees amount to R153 834, and council has a right to recovery.

45. EVENTS AFTER THE REPORTING DATE

There is no events that had happened after reporting date that will have a negative impact on Council's finances.

APPENDIX A
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2007

External loans	Loan number	Redeemable	Balance at 30/06/06	Received during the period	Redeemed written off during the period	Balance at 30/06/07	Carrying value of PPE	Other costs in accordance with the MFMA
Long-term loans			R	R	R	R	R	R
Stock loan @ 16.50%	1/01/92	2005/09/24	-	-	-	-	-	-
Stock loan @ 18.90%	6	2005/12/31	-	-	-	-	-	-
Stock loan @ 18.90%	7	2005/12/31	-	-	-	-	-	-
Stock loan @ 18.90%	8	2005/12/31	-	-	-	-	-	-
Stock loan @ 18.90%	9A	2005/12/31	-	-	-	-	-	-
Stock loan @ 18.90%	9B(i)	2005/12/31	-	-	-	-	-	-
Stock loan @ 18.90%	9B(ii)	2005/12/31	-	-	-	-	-	-
Stock loan @ 18.25%	10	2006/06/30	-	-	-	-	-	-
Stock loan @ 8.00%	1/82	2007/06/30	10 000	-	10 000	-	-	-
Stock loan @ 8.00%	3/82	2007/12/31	9 000	-	-	9 000	-	-
Stock loan @ 16.75%	-	2008/12/31	132 000	-	-	132 000	-	-
Stock loan @ 8.00%	1/84	2008/12/31	5 000	-	-	5 000	-	-
Stock loan @ 12.50%	1/93/94	2009/03/13	41 740	-	-	41 740	-	-
Stock loan @ 15.00%	1/89/90	2009/12/31	25 000	-	-	25 000	-	-
Stock loan @ 14.75%	1/92/93	2009/06/29	42 765	-	-	42 765	-	-
Stock loan @ 15.00%	1/97	2012/12/31	23 700	-	-	23 700	-	-
Stock loan @ 15.00%	2/97	2012/12/31	12 310	-	-	12 310	-	-
Stock loan @ 15.00%	1/99	2013/12/31	9 250	-	-	9 250	-	-
Stock loan @ 15.00%	2/99	2015/12/31	92 500	-	-	92 500	-	-
Stock loan @ 15.00%	2/2000/01	2015/11/01	13 538	-	-	13 538	-	-
Stock loan @ 15.00%	1/2000/01	2015/07/20	92 308	-	-	92 308	-	-
Stock loan @ 15.00%	4/2000/01	2015/03/01	13 847	-	-	13 847	-	-
Stock loan @ 15.00%	1/2001/02	2016/10/01	178 462	-	-	178 462	-	-
Stock loan @ 15.00%	2/2001/02	2016/10/01	36 924	-	-	36 924	-	-
Stock loan @ 15.00%	1/2002/03	2018/03/07	61 539	-	-	61 539	-	-
Stock loan @ 12.00%	2/2003/04	2018/10/31	30 714	-	-	30 714	-	-
Stock loan @ 12.00%	1/2003/04	2018/09/18	128 625	-	-	128 625	-	-
Total long-term loans			**959 222**	**-**	**10 000**	**949 222**	**-**	**-**
ANNUITY LOAN								
Eden District Municipality @ 0.00%	-	2009/08/31	651 734	-	162 933	488 801	-	-
Eden District Municipality @ 0.00%	-	2013/02/28	462 234	-	77 039	385 195	-	-
			1 113 969	**-**	**239 972**	**873 996**	**-**	**-**
GOVERNMENT LOANS								
Total government loans			**-**	**-**	**-**	**-**	**-**	**-**
LEASES								
Rentworks Africa			832 389	52 013	332 122	552 280	522 225	
Fleet Africa			1 711 225	118 560	271 154	1 558 631	1 394 683	
Nashua			156 560	31 314	25 563	162 311	136 923	
Total leases			**2 700 174**	**201 887**	**628 839**	**2 273 222**	**2 053 831**	**-**
TOTAL EXTERNAL LOANS			**4 773 365**	**201 887**	**878 811**	**4 096 441**	**2 053 831**	**-**

APPENDIX B
ANALYSIS OF PPE AS AT 30 JUNE 2007

	Cost/revaluation					Accumulated depreciation					
	Opening balance	Additions	Under construction	Disposals	Closing balance	Opening balance	Additions	Disposals	Closing balance	Carrying value	Budget additions
Land & Buildings											
Land	108 250 012				108 250 012	1 576 647	178 283	-	1 754 930	106 495 082	
Buildings	38 495 785	5 827 384	9 289 967		53 613 136	16 581 825	1 426 587	-	18 008 412	35 604 724	
	146 745 798	5 827 384	9 289 967	-	161 863 149	18 158 472	1 604 870	-	19 763 342	142 099 807	-
Infrastructure											
Drains	-	-	9 125 044.10	-	9 125 044.10	-			-	9 125 044.10	
Roads	73 665 145	13 796 055	-	-	87 461 200	20 188 053	2 997 404	-	23 185 457	64 275 743	
Beach improvements	-	-	-	-	-	-	-	-	-	-	
Sewerage mains & Purif	73 003 713	2 685 789	686 635	-	76 376 137	18 172 594	3 228 072	-	21 400 666	54 975 471	
Electricity mains	82 113 367	5 292 677	482 242	-	87 888 285	35 251 582	3 264 681	-	38 516 263	49 372 022	
Electricity peak load equipment	1 317 234	561 032	-	-	1 878 267	124 667	73 045	-	197 712	1 680 555	
Water mains & purification	11 969 166	12 947 711	-	-	24 916 878	4 662 456	776 704	-	5 439 160	19 477 717	
Reservoirs - water	9 690 222	-	-	-	9 690 222	2 891 868	484 511	-	3 376 379	6 313 843	
Water meters	1 732 484	239 542	-	-	1 972 026	356 249	108 824	-	465 073	1 506 953	
Water mains	62 087 797	3 159 332	-	-	65 247 129	20 555 454	2 853 108	-	23 408 562	41 838 566	
	315 579 129	38 682 139	10 293 921	-	364 555 188	102 202 923	13 786 350	-	115 989 273	248 565 915	-
Community assets											
Parks & gardens	2 139 230	16 000	-	-	2 155 230	416 992	95 852	-	512 843	1 642 386	
Libraries	1 723 141	-	-	-	1 723 141	490 776	57 438	-	548 214	1 174 927	
Recreation grounds	7 586 806	416 084	-	-	8 002 890	1 425 577	374 835	-	1 800 412	6 202 478	
Civic buildings	14 374 661	70 000	-	-	14 444 661	5 481 784	424 640	-	5 906 424	8 538 237	
	25 823 837	502 084	-	-	26 325 921	7 815 129	952 764	-	8 767 893	17 558 029	-
Heritage assets											
Historical buildings	-	-	-	-	-	-	-	-	-	-	-
Painting & art galleries	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	488 148 764	45 011 607	19 583 888	-	552 744 258	128 176 524	16 343 984	-	144 520 508	408 223 750	-

APPENDIX B
ANALYSIS OF PPE AS AT 30 JUNE 2007

	Cost/revaluation					Accumulated depreciation					
	Opening balance	Additions	Under construction	Disposals	Closing balance	Opening balance	Additions	Disposals	Closing balance	Carrying value	Budget additions
Total brought forward	488 148 764	45 011 607	19 583 888	-	552 744 258	128 176 524	16 343 984	-	144 520 508	408 223 750	-
Housing rental stock											
Housing rental 1	-	-	-	-	-	-	-	-	-	-	-
Housing rental 2	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
Leased assets (Infrastructure)											
Leased assets (Infrastructure)	3 014 423.00	201 886.61	-	-	3 216 309.61	408 586.89	754 811.19	-	1 163 398.08	2 052 911.53	-
	3 014 423.00	201 886.61	-	-	3 216 309.61	408 586.89	754 811.19	-	1 163 398.08	2 052 911.53	-
Other assets											
Landfill sites	-	-	-	-	-	-	-	-	-	-	
Office equipment	23 359 634	8 528 053	-	245 186	31 642 501	13 227 394	1 765 347	244 333	14 748 408	16 894 094	
Furniture & fittings	510 578	33 345.00	-	-	543 923	254 841	82 019	-	336 860	207 063	
Bins & containers	282 863	-	-	-	282 863	54 304	37 702	-	92 006	190 856	
Emergency equipment	3 847 632	-	-	-	3 847 632	1 458 722	206 823	-	1 665 546	2 182 087	
Motor vehicles	9 026 272	1 281 591.90	-	422 490	9 885 374	5 241 607	668 062	356 652	5 553 018	4 332 357	
Fire engines	796 680	1 693 339.57	-	-	2 490 019	395 558	42 618	-	438 176	2 051 843	
Refuse tankers	2 280 445	-	-	-	2 280 445	330 875	202 651	-	533 526	1 746 919	
Computer equipment	5 589 297	1 312 513	-	-	6 901 810	3 207 619	704 532	-	3 912 151	2 989 660	
Council regalia	-	-	-	-	-	-	-	-	-	-	
Conservancy tankers	-	-	-	-	-	-	-	-	-	-	
Watercraft	-	-	-	-	-	-	-	-	-	-	
	45 693 401	12 848 842	-	667 676	57 874 568	24 170 920	3 709 755	600 985	27 279 690	30 594 878	-
Non PPE											
Investment Properties	-	-	-	-	-	-	-	-	-	-	-
Intangible Assets	6 265 583	450 764	1 150 350	-	7 866 697	2 746 299	525 737	-	3 272 037	4 594 660	
Agricultural Assets	-	-	-	-	-	-	-	-	-	-	
	6 265 583	450 764	1 150 350	-	7 866 697	2 746 299	525 737	-	3 272 037	4 594 660	
Total	543 122 171	58 513 100	20 734 237	667 676	621 701 832	155 502 331	21 334 287	600 985	176 235 632	445 466 199	

APPENDIX B(1): PROPERTY, PLANT AND EQUIPMENT									
30 June 2007									
Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Heritage	Other	Housing Development Fund	Leased Infrastructure	Intangible Assets	Total
	R	R	R	R	R	R	R	R	R
Carrying values at 1 July 2006	**128 587 325**	**213 376 207**	**18 008 708**	**-**	**21 522 482**	**-**	**2 605 836**	**3 519 284**	**387 619 842**
Cost	146 745 797	315 579 130	25 823 837	-	45 693 402	-	-	-	533 842 166
Correction of error	-	-	-	-	-	-	3 014 423	6 265 583	9 280 006
Revaluation	-	-	-	-	-	-	-	-	-
Accumulated depreciation	18 158 472	102 202 923	7 815 129	-	24 170 920	-	408 587	2 746 299	155 502 330
-cost	18 340 718	102 721 435	7 832 103	-	26 199 489	-	-	-	155 093 745
-revaluation	-182 246	-518 512	-16 974	-	-2 028 569	-	408 587	2 746 299	408 585
Acquisitions	5 827 384	38 682 139	502 084	-	12 848 842	-	201 887	450 764	58 513 100
Capital under construction	9 289 967	10 293 921	-		-	-	-	1 150 350	20 734 238
Increases/decreases in revaluation	-	-	-	-	-	-	-	-	-
Depreciation	1 604 870	13 786 350	952 764	-	3 709 755	-	754 811	525 737	21 334 287
-based on cost	1 604 870	13 786 350	952 764	-	3 709 755	-	754 811	525 737	21 334 287
-based on revaluation	-	-	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	66 691	-	-	-	- 66 691
Cost/revaluation	-	-	-	-	667 676	-	-	-	667 676
Accumulated depreciation	-	-	-	-	600 985	-	-	-	600 985
Impairment losses	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	-
Carrying values at 30 June 2007	**142 099 806**	**248 565 917**	**17 558 028**	**-**	**30 594 878**	**-**	**2 052 912**	**4 594 661**	**445 466 201**
Cost	161 863 148	364 555 190	26 325 921	-	57 874 568	-	3 216 310	7 866 697	621 701 834
Revaluation	-	-	-	-	-	-	-	-	-
Accumulated depreciation	19 763 342	115 989 273	8 767 893	-	27 279 690	-	1 163 398	3 272 036	176 235 632
-cost	19 763 342	115 989 273	8 767 893	-	27 279 690	-	1 163 398	3 272 036	176 235 632
-revaluation	-	-	-	-	-	-	-	-	-

APPENDIX B(1): PROPERTY, PLANT AND EQUIPMENT									
30 June 2006									
Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Heritage	Other	Housing Development Fund	Leased Infrastructure	Intangible Assets	Total
	R	R	R	R	R	R	R	R	R
Carrying values at 1 July 2005	**129 275 139**	**183 529 477**	**14 965 375**	**-**	**20 321 022**	**-**	**-**	**-**	**348 091 013**
Cost	145 978 123	272 551 196	21 929 778	-	42 468 453	-	-	-	482 927 550
Correction of error	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-
Accumulated depreciation	16 702 984	89 021 719	6 964 403	-	22 147 431	-	-	-	134 836 537
-cost	16 702 984	89 021 719	6 964 403		22 147 431	-	-	-	134 836 537
-revaluation	-	-	-	-	-	-	-	-	-
Acquisitions	678 622	35 370 378	2 242 099	-	2 470 488	-	-	-	40 761 587
Capital under construction	89 052	7 657 556	1 651 960	-	7 526 986	-	-	-	16 925 554
Increases/decreases in revaluation	-	-	-	-	-	-	-	-	-
Depreciation	1 637 734	13 699 716	867 700	-	4 433 876	-	-	-	20 639 026
-based on cost	1 637 734	13 699 716	867 700	-	4 433 876	-	-	-	20 639 026
-based on revaluation	-	-	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	125 124	-	-	-	125 124
Cost/revaluation	-	-	-	-	506 942	-	-	-	506 942
Accumulated depreciation	-	-	-	-	381 818	-	-	-	381 818
Impairment losses	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	-
Carrying values at 30 June 2006	**128 587 325**	**213 376 207**	**18 008 708**	**-**	**21 522 482**	**-**	**2 605 836**	**3 519 284**	**387 619 842**
Cost	146 745 797	315 579 130	25 823 837	-	45 693 402	-			533 842 166
Revaluation/adjustment	-	-	-	-		-	3 014 423	6 265 583	9 280 006
Accumulated depreciation	18 158 472	102 202 923	7 815 129	-	24 170 920	-	408 587	2 746 299	155 502 330
-cost	18 340 718	102 721 435	7 832 103	-	26 199 489	-	-	-	155 093 745
-revaluation/adjustments	-182 246	-518 512	-16 974	-	-2 028 569	-	408 587	2 746 299	408 585

APPENDIX C
SEGMENTAL ANALYSIS OF PPE
30 JUNE 2007

	Cost					Accumulated depreciation				
	Opening balance	Additions	Under construction	Disposals	Closing balance	Opening balance	Additions	Disposals	Closing balance	Carrying value
Municipal Manager	6 913 608	851 605	-	-	7 765 213	4 348 313	996 700	-	5 345 012	2 420 201
Manager Financial Services	982 832	861 797	1 150 350	-	2 994 979	352 536	320 713	-	673 249	2 321 730
Manager Technical Services	2 317 208	138 105	-	-	2 455 313	663 329	176 554	-	839 883	1 615 430
Electricity - Administration	57 613 450	2 633	-	-	57 616 082	34 938 675	2 186 174	-	37 124 850	20 491 233
Electricity - Distribution	33 620 420	13 003 995	1 124 817	-	47 749 232	3 483 532	1 779 252	-	5 262 784	42 486 448
Manager Corporate Services	130 454 076	658 075	-	-	131 112 151	15 359 476	1 236 400	-	16 595 876	114 516 275
Sewerage	80 947 561	5 332 868	6 315 018	-	92 595 447	22 026 674	3 742 917	-	25 769 591	66 825 856
Streets	59 943 102	5 930 508	-	87 333	65 786 276	18 955 381	2 461 921	86 083	21 331 218	44 455 058
Storm water	7 751 385	3 626 154	9 125 044	-	20 502 584	1 440 370	395 610	-	1 835 979	18 666 604
Water	89 271 188	21 122 839	-	-	110 394 026	30 945 123	4 797 597		35 742 720	74 651 306
Cleansing Services	5 980 498	79 453	-	157 918	5 902 033	2 826 046	461 788	157 918	3 129 916	2 772 117
Health Services	3 892 225		-	188 025	3 704 201	1 612 702	115 966	188 025	1 540 644	2 163 557
Parks, Recreation and Sport Ground	15 047 552	1 036 388	-	143 529	15 940 411	3 380 363	953 228	78 941	4 254 650	11 685 760
Beaches, C/ Park and Chalets	24 603 901		-	-	24 603 901	10 496 041	868 987	-	11 365 028	13 238 873
Fire Services	2 615 870	2 105 268	-	-	4 721 138	1 839 773	136 816	-	1 976 589	2 744 548
Public Safety	5 776 713	817 203	-	90 871	6 503 045	2 001 639	445 817	90 019	2 357 437	4 145 607
Manager Community Services	15 390 582	2 946 210	3 019 008	-	21 355 800	832 358	257 847	-	1 090 205	20 265 596
								-		
TOTAL	543 122 171	58 513 100	20 734 237	667 676	621 701 832	155 502 331	21 334 287	600 985	176 235 633	445 466 199

APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2007

2006	2006	2006		2007	2007	2007
Actual income	**Actual expenditure**	**Surplus/ (deficit)**		**Actual income**	**Actual expenditure**	**Surplus/ (deficit)**
R	**R**	**R**		**R**	**R**	**R**
21 886 002	15 571 948	6 314 053	Municipal Manager	40 013 909	80 633 655	(40 619 746)
479 686	4 632 947	(4 153 261)	Manager Corporate Services	352 408	7 661 076	(7 308 668)
886 027	2 821 978	(1 935 951)	Land and Buildings	1 068 619	2 890 302	(1 821 683)
76 744	2 672 630	(2 595 886)	Libraries	105 177	2 826 668	(2 721 491)
37 732 876	11 669 781	26 063 095	Manager Financial Services	41 029 015	14 000 217	27 028 798
6 179 772	3 590 857	2 588 915	Manager Technical Services	4 105 177	4 866 507	(761 330)
104 247 445	67 135 125	37 112 320	Electricity	119 503 841	75 711 159	43 792 682
5 446 693	16 764 032	(11 317 339)	Streets	19 672 205	27 739 564	(8 067 359)
42 569 609	27 764 824	14 804 785	Sewerage	43 701 370	24 352 836	19 348 534
46 997 350	37 267 436	9 729 914	Water	54 229 262	41 966 984	12 262 278
17 354 415	9 559 270	7 795 145	Manager Community Services	10 610 581	13 420 065	(2 809 484)
6 812 440	5 931 824	880 616	Caravan Parks and Chalets	6 903 088	7 297 487	(394 399)
62 890	399 818	(336 928)	Cemeteries	78 183	383 089	(304 906)
18 793 563	20 007 979	(1 214 416)	Cleansing	19 763 265	20 605 698	(842 433)
3 715 422	4 351 125	(635 703)	Health	4 081 018	3 016 525	1 064 493
6 805 564	15 089 448	(8 283 884)	Public Safety and Rescue Services	10 423 864	16 444 590	(6 020 726)
206 818	6 796 152	(6 589 334)	Parks and Recreation	531 174	12 967 256	(12 436 082)
320 253 315	**252 027 175**	**68 226 141**	Sub Total	**376 172 156**	**356 783 678**	**19 388 478**
	2 833 088	(2 833 088)	Less inter-dep charges		686 495	(686 495)
320 253 315	**249 194 087**	**71 059 229**	**Total**	**376 172 156**	**356 097 183**	**20 074 973**

APPENDIX E(1)

ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2007

REVENUE	2007 Actual (R)	2007 Budget (R) Original	2007 Budget (R) Adjusted	2007 Variance (R)	2007 Variance (%)	Explanation of significant variance greater than 10% versus budget
Property rates	35 767 367	33 991 827	34 916 827	850 540	2.4%	
Property rates - penalties imposed & collection charges	1 866 733	1 000 000	1 000 000	866 733	86.7%	Income higher than was budgeted for
Service charges	203 689 880	215 661 423	221 394 012	(17 704 132)	-8.0%	
Rental of facilities & equipment	1 325 492	4 240 765	4 273 965	(2 948 473)	-69.0%	Redemption on leased assets transferred to external borrowings
Interest earned - external investments	16 665 302	9 701 400	9 701 400	6 963 902	71.8%	Better Cashflow, creating opportunities to invest
Interest earned - outstanding debtors	604 541	-	650 000	(45 459)	-7.0%	
Dividends received	-	-	-	-		
Fines	5 943 174	3 233 700	4 733 700	1 209 474	25.6%	Higher income on traffic fines as accrued income was calculated on outstanding fines
Licences and permits	4 287 134	3 545 000	3 545 000	742 134	20.9%	Increase in motor vehicle registrations
Income for agency services	-	-	-	-		
Government grants and subsidies	48 902 610	39 050 485	75 104 271	(26 201 661)	-34.9%	Will vary from year-to-year depending on grants allocated.
Other income	48 151 755	8 536 408	25 094 227	23 057 528	91.9%	Various votes combined
Public contributions, donated/contributed PPE	4 737 135	-	-	4 737 135		Item budgeted through the capital budget not transferred to revenue during budget process
Gains on disposal of PPE	149 926	100 000	100 000	49 926	49.9%	Insufficiently budgeted
Total Revenue	**372 091 050**	**319 061 008**	**380 513 402**	**(8 422 352)**	-2.2%	
EXPENDITURE						
Employee-related costs	140 387 216	90 461 240	91 679 332	48 707 884	53.1%	Posts budgeted for not filled.
Remuneration of Councillors	4 547 490	4 400 761	4 650 761	(103 271)	-2.2%	
Bad debts	5 719 626	8 868 203	-	5 719 626		
Collection costs	5 583 334	4 100 000	6 360 000	(776 666)	-12.2%	Forcast on adjusted budget not fully realised.
Depreciation	23 156 946	30 823 237	30 823 237	(7 666 291)	-24.9%	Projects under construction only depreciated at date of completion.
Amortisation - Intangible Assets	3 153	-	-	3 153		Valuation roll not yet completed.
Repairs and maintenance	30 530 723	26 922 628	33 679 662	(3 148 940)	-9.3%	
Interest on external borrowings	601 197	1 223 170	1 223 170	(621 973)	-50.8%	Leased assets budgeted as lease charges was transferred to external borrowings.
Bulk purchases	58 490 201	57 717 397	57 347 397	1 142 804	2.0%	
Contracted services	13 964 489	11 710 396	15 516 992	(1 552 503)	-10.0%	Less contractors used
Grants and subsidies paid	4 082 862	9 743 623	8 243 623	(4 160 761)	-50.5%	Health subsidies on discontinued operations not fully realised as was budgeted for.
General expenses - other	66 291 996	73 075 581	130 320 594	(64 028 598)	-49.1%	Various votes combined
Loss on disposal of PPE	407 831	-	-	407 831		
Total Expenditure	**353 767 062**	**319 046 236**	**379 844 768**	**(26 077 706)**	-6.9%	
NET SURPLUS/(DEFICIT) FOR THE YEAR	18 323 987	14 772	668 634	17 655 353	2640.5%	

APPENDIX E(2)

ACTUAL VERSUS BUDGET (ACQUISITION OF PPE) FOR THE YEAR ENDED 30 JUNE 2007

	2007 Actual	2007 Under construction	2007 Total additions	2007 Budget		2007 Variance	2007 Variance	Explanation of significant variances greater than 5% versus budget
	R	R	R	Original	Adjusted	R	%	
Land and Buildings								
Land	-		-	100 000	-	-		
Buildings	15 117 351	9 289 967	5 827 384	6 955 000	12 547 928	(2 569 423)	-20.48%	Additional funds has become available for building of houses
	15 117 351	9 289 967	5 827 384	7 055 000	12 547 928	(2 569 423)	-20.48%	
Infrastructure								
Drains	9 125 044	9 125 044	-	3 505 000	19 783 575	10 658 531	53.88%	Storm water projects due to floods started late and carried forward to the new financial year.
Roads	13 796 055	-	13 796 055	8 807 225	13 413 480	(382 575)	-2.85%	
Beach improvements	-	-	-			-		
Sewerage Mains & Purif	3 372 424	686 635	2 685 789	4 311 482	6 341 368	2 968 944	46.82%	Ongoing projects not completed during the financial year
Electricity Mains	5 774 919	482 242	5 292 677	12 547 893	12 529 223	6 754 304	53.91%	Electrification of houses carried forward as houses were not fully completed.
Electricity peak load equip	561 032	-	561 032			(561 032)	#DIV/0!	
Water mains & purification	12 947 711		12 947 711	26 320 000	19 380 216	6 432 505	33.19%	Ongoing projects not completed during the financial year
Reservoirs - Water	-		-	195 000	155 400	155 400	100.00%	Project not realised
Water meters	239 542		239 542	500 000	723 500	483 958	66.89%	Higher demand to growth in property market
Water mains	3 159 332		3 159 332	490 000	606 020	(2 553 312)	-421.32%	
	48 976 059	10 293 921	38 682 139	56 676 600	72 932 782	23 956 723	32.85%	
Community Assets								
Parks & Gardens	16 000		16 000	180 000	533 107	517 107	97.00%	Project carried forward to new financial year.
Libraries	-		-			-		
Recreation grounds	416 084		416 084	725 000	926 117	510 033	55.07%	Project carried forward to new financial year.
Civic buildings	70 000		70 000	860 400	3 751 605	3 681 605	98.13%	New office building was postponed for further investigation.
	502 084	-	502 084	1 765 400	5 210 829	4 708 745	90.36%	
Heritage assets								
Historical buildings	-					-		
Painting & art galleries	-					-		
	-	-	-	-	-	-		
Total carried forward	64 595 494	19 583 888	45 011 607	65 497 000	90 691 539	26 096 045	28.77%	

APPENDIX E(2)

ACTUAL VERSUS BUDGET (ACQUISITION OF PPE) FOR THE YEAR ENDED 30 JUNE 2007

	2007 Actual R	2007 Under construction R	2007 Total additions R	2007 Budget Original	2007 Budget Adjusted	2007 Variance R	2007 Variance %	Explanation of significant variances greater than 5% versus budget
Total brought forward	64 595 494	19 583 888	45 011 607	65 497 000	90 691 539	26 096 045	28.77%	
Housing rental stock								
Housing rental 1	-	-	-	-		-		
Housing rental 2	-	-	-	-		-		
	-	-	-	-	-	-		
Leased assets (Infrastructure)								
Leased assets (Infrastructure)	201 887		201 887	201 887	201 887	-	0.00%	
	201 887	-	201 887	201 887	201 887	-	0.00%	
Other assets								
Landfill sites	-		-			-		
Office equipment	8 528 053		8 528 053	1 745 000	2 933 611	(5 594 442)	-190.70%	All loose assets included in this total
Furniture & fittings	33 345		33 345	4 785 000	5 255 650	5 222 305	99.37%	Inventory items transferred to operating expenditure.
Bins & containers	-		-			-		
Emergency equipment	-		-			-		
Motor vehicles	1 281 592		1 281 592	100 000	2 203 771	922 179	41.85%	Motor vehicles not delivered due to year end.
Fire engines	1 693 340		1 693 340	2 000 000	1 980 000	286 660	14.48%	Costs of vehicle less than budgeted for.
Refuse tankers	-		-			-		
Computer equipment	1 312 513		1 312 513	260 000	772 720	(539 793)	-69.86%	Additional savings used for disaster recovery plan.
Councillors regalia	-		-			-		
Conservancy tankers	-		-			-		
Watercraft	-		-			-		
	12 848 842	-	12 848 842	8 890 000	13 145 752	296 910	2.26%	
Non PPE								
Investment Properties	-	-	-			-		
Intangible Assets	1 601 114	1 150 350	450 764	1 760 000	1 623 614	22 500	1.39%	
Agricultural Assets	-	-	-			-		
	1 601 114	1 150 350	450 764	1 760 000	1 623 614	22 500	1.39%	
Total	79 247 337	20 734 237	58 513 100	76 348 887	105 662 792	26 415 455	25.00%	

APPENDIX F
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003
GRANTS AND SUBSIDIES RECEIVED

Name of Grant	Name of Organ of State or Municipal Entity	Opening Balance	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/withheld				Total
			Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June	
CAPITAL GRANTS															
NER- ELECTRIFICATION	NER	293 506				1 600 000	364 569	131 330	240 356	116 947					**1 040 304**
LED PROJECTS MARKET STALLS	MIG				401 196	49 204			450 400						**-**
MSB/KWA NEW STREET LIGHTING PH 4	MIG					676 320		367 528	302 859	5 933					**-**
REPLACE STORM WATER - RESTAURANT GLENTANA	MIG					12 017 543			1 047 403	6 858 202					**4 111 938**
GLENTANA DRIVE STORM WATER	MIG					4 133 157				1 219 439					**2 913 718**
PAVEMENT - LEVEL OF SIDEWALKS	MIG					1 057 349	84 706	224 564	401 877	346 203					**-**
BULK WATER METERS	NATIONAL				144 000					144 000					**-**
GBR - UPGRADE SEWER PLANT	MIG	329 216		650 000	549 236		11 945	41 792	55 093	577 805					**841 817**
BRANDWAG SPORTFIELDS	PAWC	145 498								21 720					**123 778**
SPORT FACILITIES - VAN RIEBEECK STADIUM	PAWC	42 611							13 557	25 895					**3 159**
LED PROJECTS MARKET STALLS	PAWC				167 643				31 336	136 306					**-**
TAXI RANKS - ASLA PARK	PAWC					172 500		164 463	8 037						**-**
TAXI RANKS - JOE SLOVO	PAWC					79 743			79 743						**-**
MAXIHALE STREET - SIDEWALKS	Department of Transport					944 000			548 431	395 569					**-**
ADRIAANS AVENUE SIDEWALKS	Department of Transport					636 221			333 514	302 707					**-**
GBR/WOLWEDANS PROJECT	Department of Housing			4 924 941	3 518 699	(992 125)		3 690 964	1 371 711	2 388 840					**-**
AZIZANI/ZINYOKA TOP STRUCTURES	Department of Housing					1 503 003	189 500	843 524	70 418	92 433					**307 127**
COLLABORATOR	Eden District Municipality	55 000								55 000					**-**
COLLABORATOR	Eden District Municipality	18 653								18 653					**-**
LANGEBERG MALL ELECTRICITY SUPPLY	Public Contributions	288 317	576 820				341 233	37 256	64 849	331					**421 468**
GBR RAW WATER PIPELINE	Eden District Municipality	987				782 847		126 832	165 732	491 270					**-**
GBR BERGSIG - IMPROVE STORM WATER	NATIONAL					1 948 540	46 010		27 033	1 875 496					**-**
AZIZANI/ZINYOKA WATER SYSTEM	NATIONAL					900 000									**900 000**
MOSSGASS	Public Contributions					532 718				456 233					**76 485**
KINANI SERVICE CENTRE	Public Contributions					115 478									**115 478**
VALVET MOON DEVELOPMENT	Public Contributions					35 239				26 008					**9 231**
DONATED PPE - PUBLIC DEVELOPERS	Public Contributions					1 190 073				1 190 073					**-**
RUITERBOS INFRASTRUCTURE	Eden District Municipality					222 088				218 267					**3 821**

APPENDIX F
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003
GRANTS AND SUBSIDIES RECEIVED

Name of Grant	Name of Organ of State or Municipal Entity	Opening Balance	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/withheld				Total
			Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June	
OPERATIONAL GRANTS															
TOURISM DEVELOPMENT PROJECT	Eden District Municipality	150 000													**150 000**
CASINO FACILITIES FUND	Public Contribution	438 596													**438 596**
LGWSETA SKILLS DEVELOPMENT	SETA	695 196				394 993				276 327					**813 862**
CONTRACT REGISTER	PAWC	74 808								74 808					-
FINANCE MANAGEMENT GRANT	NATIONAL	429 279				500 000				186 982					**742 297**
MOSSGAS CAPITAL WORKS	Public Contribution	49 734								49 734					-
RELIEF CHARITABLE FUND	Public Contribution	785				35 000				29 959					**5 825**
REPAIR WATER LEAKAGES	PAWC	115 427								115 427					-
EQUITABLE SHARE - ALL	NATIONAL					15 944 442				15 944 442					-
IMBIZOS - OFFICE OF THE PREMIER	PAWC					40 000				40 000					-
SUBSIDY NEWS LETTERS	PAWC					1 908				1 908					-
SUBSIDY NEWS LETTERS	PAWC					1 813				1 813					-
SUBSIDY NEWS LETTERS	PAWC					916				916					-
SUBSIDY NEWS LETTERS	PAWC					2 006				2 006					-
SUBSIDY NEWS LETTERS	PAWC					2 278				2 278					-
MASTER PLAN SEWER NETWORKS	NATIONAL					332 000				332 000					-
CONTRIBUTION - TRAINING FIRE BRIGADE	Public Contribution					700				700					-
SUBSIDY MAIN ROADS	PAWC					1 552 163				1 552 163					-
HEALTH SUBSIDY	PAWC	636 321				3 404 891				4 041 212					-
HOUSING - RUITERBOS HUISE	Eden District Municipality					166 598				166 598					-
AIRFIELD 263 ERVEN	PAWC	26 307								26 307					-
AIRFIELD 263 ERVEN	PAWC	34 387								34 387					-
KWA/ELANGENI - PHP PROJECT	Department of Housing					41 725				41 725					-
AIDS COMMITTEE - FURNITURE	Eden District Municipality	4 761								4 761					-
FRIEMERSHEIM HOUSING PROJECT	Department of Housing					150 000		107 757							**42 243**
ALTERNATIVE WATER SUPPLY PLAN	NATIONAL					102 000				102 000					-
MOBILITY STRATEGY PROJECTS	PAWC	1 004 750				(539 360)				465 390					-
REZONING SCHEME CHARTS	PAWC	30 943		125 000						155 943					-
FLOOD DAMAGE	MIG					12 796				12 796					-
FLOOD DAMAGE	MIG					196 264				196 264					-
FLOOD DAMAGE	MIG					15 245				15 245					-
FLOOD DAMAGE	MIG					1 925 090				1 925 090					-
FLOOD DAMAGE	MIG					1 611 423				1 611 423					-
FLOOD DAMAGE	MIG					23 536				23 536					-
FLOOD DAMAGE	MIG					2 383				2 383					-
		4 865 082	**576 820**	**5 699 941**	**4 780 773**	**53 524 708**	**1 037 964**	**5 736 009**	**5 212 349**	**44 399 853**	**-**	**-**	**-**	**-**	**13 061 149**

**These amounts include unspent balances from previous year.*

1. The Municipality complies with the Grant Conditions in terms of the Grant Framework in the latest division of Revenue Act.

2. CONDITIONS NOT MET

Where the conditions were not fully met, it was due to the fact that projects started late, and will be uitilised in the 2007/2008 financial year.

3. PROJECTS FUNDING DELAYED

3.1 Claims submitted after expenditure was incurred.

3.2 Claim submitted after expenditure was incurred for balance of expenditure.

3.3 Subsidies on Housing Projects not paid by Provincial Aministration.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. In the table set out below, the exemptions offered have been listed; together with an indication of the process that the municipality will follow regarding plans to implement the exemptions. Furthermore, the extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards has also been stated in the table.

Std. no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s) exempted in terms of General notice 552 of 2007.	Exemption Adopted Y/N	Description of implementation plans that still need to be implemented to achieve full compliance with exempted standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards
GRAP 03	Accounting policies, changes in accounting estimates and errors	Identification and impact of GRAP standards that have been issued but are not yet effective (GRAP 3.30 – 31). A list of these standards is as follows: GRAP 4 The Effects of Changes in Foreign Exchange Rates GRAP 5 Borrowing Costs GRAP 6 Consolidated AFS GRAP 7 Associates GRAP 8 JV's GRAP 9 Revenue GRAP 10 Financial Reporting in Hyperinflationary Economies GRAP 11 Construction Contracts GRAP 12 Inventories GRAP 13 Leases GRAP 14 Events After the Reporting Date GRAP 16 IP GRAP 17 PPE GRAP 18 Segment Reporting GRAP 19 Provisions, Contingent Liabilities and Contingent Assets GRAP 100 Non Current assets held for sale GRAP 101 Agriculture GRAP 102 Intangible Assets	Y	**The following GRAP standards have been issued but are not yet effective. The implementation plans that still need to be implemented to achieve full compliance with the standards are set out below.** GRAP 4,6,7,8,9,12,17,19 Currently the municipality adheres to the requirements of the comparable GAMAP standards. Determine the difference between the applicable accounting treatment and disclosure requirements of the GAMAP versus the GRAP standards and make any necessary adjustments to the AFS. GRAP 5 Borrowing Costs. Determine the applicable accounting treatment and disclosure requirements of GRAP 5 for the municipality. GRAP 10 and 11. The municipality does not have these types of transactions. GRAP 13, 14, 16, 18, 100, 101 and 102. The municipality adheres to the requirements of the comparable GAAP standards except for the exemptions adopted as set out below per standard.	Highly likely that no adjustments to the AFS will be required as there are no fundamental differences between these GAMAP and GRAP standards. A portion of interest cost on interest bearing borrowings, in respect of assets that take a substantial period of time for construction and before they are ready for use, may be capitalised to the relevant asset and will result in interest cost in the Statement of Financial Performance reducing and the cost of the asset increasing. No adjustment required. See adjustments required as per relevant sections of this document set out below.
		Changes in accounting policies (GRAP 3.14, 19)	N	No action plans are required. Where it is practicable to do so, all changes in accounting policy are dealt with by the municipality retrospectively and disclosed as such in accordance with the requirements of GRAP 3.	No adjustments to the AFS are required.

GAMAP 09	Revenue	Initial measurement of fair value; discounting all future receipts using an imputed rate of return (GAMAP 9.12 and SAICA circular 9/06)	Y	In terms of GAMAP 9 revenue is measured at the fair value of the consideration received. In most cases the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. Where the inflow of cash or cash equivalents is **deferred,** for example where the entity provides an interest free credit period to the purchaser the fair value of the revenue must then be determined by discounting all future receipts by using an imputed rate of interest. The municipality does not envisage entering into transactions where an interest free credit period is provided to the purchaser of services or goods form the municipality and therefore it is highly unlikely that the municipality will be faced with this type of transaction.	No adjustments to the AFS are required.

GAMAP 12	Inventories	The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP17.	Y	Currently the municipality does not reflect land and buildings that will be sold within the next twelve months as inventories, but carries these items as part of PPE. The following implementation plans will need to be executed to ensure compliance with GAMAP 12: 1) Ensure that all land and buildings under the control of the municipality are reflected on the Fixed asset Register of the municipality by implementing the action plans set out as points 1) to 4) for the section on Investment Property as set out below. 2) Ensure that at the first balance sheet date that this specific requirement of GAMAP 12 will be implemented to show these assets as inventories, that all land and buildings that will be sold within the next twelve months are removed from the FAR and are reclassified as inventories. 3) Ensure that these inventories are measured at the lower of cost price and NRV. 4) Ensure that the necessary disclosure requirements relating to inventories of land and buildings are met.	**The following adjustments will need to be made to the AFS to comply with accounting for inventories land and buildings in terms of GAMAP 12:** 1) The land and buildings will not be reflected as part of PPE (Non Current assets) on the Statement of Financial Position, but will be reflected as a current asset: inventories. 2) If inventory of land and buildings, which is currently reflected as part of PPE is currently sold a gain or loss on disposal of PPE is reflected in the Statement of Financial Performance. When these items are reclassified as inventories and sold the Statement of Financial Performance will reflect the sales proceeds as well as the cost of inventories land and buildings disposed of as separate line items. 3) The buildings which are currently shown as PPE, and which are depreciated will not be depreciated if they form part of inventories. 4) The classes of inventories as recorded in the notes to the AFS will be expanded with another class, namely: inventories: land and buildings. 5) The accounting policy note will have to be amended to set out how inventories: land and buildings are accounted for.

		The entire standard as far as it relates to water stock that was not purchased by the municipality.	Y	1) Ensure that systems are in place to determine what percentage of water on hand at year end has been purchased and what percentage has been produced (purified). 2) Determine what valuation methodology will best serve to value water on hand at year end i.e. FIFO or weighted average. 3) Value the purchased water at year end by utilising the FIFO methodology and multiplying purchased water on hand at year end with the latest purchase price. 4) Value purified water on hand at year end by determining a production cost per unit of water purified and then applying this to the volume of purified water on hand at year end. The production cost per unit must be based on: • Costs directly related to the units of production such as direct materials and direct labour. This could include expense items such as wage costs of plant workers and chemicals used in the production process. • A systematic allocation of fixed production overheads, which are indirect costs of production that remain relatively constant, regardless of the level of production, such as depreciation of manufacturing equipment and the production facility (water purification plant). • A systematic allocation of variable production overheads, which are indirect costs of production that vary in accordance with variances in the volume of production. Examples are indirect labour such as the salary of a factory foreman, and also indirect materials.	**The following adjustments will need to be made to the AFS to comply with accounting for purified water in terms of GAMAP 12:** 1) The value of inventories on the Statement of Financial Position will include purchased as well as purified water. 2) The accounting policy should reflect the valuation methodology for purified and purchased water.

GAMAP 17	Property, plant and equipment	Review of useful life of items of PPE recognised in the annual financial statements (GAMAP 17.69 – 61, 77)	Y	1) CFO to issue a memo to all departmental managers at year end to request them to ensure that the remaining useful life of all items of PPE as reflected for assets under their control per the FAR is realistic. 2) Departmental managers should inform the manager responsible for assets of items of PPE with remaining useful lives shorter or longer than those reflected on the FAR at year end. 3) Pass necessary accounting entries and also do necessary disclosure of the change in estimate.	**The following adjustments will need to be made to the AFS if the review of useful lives of PPE result in a change in estimate.** 1) The depreciation charge for the year in which the change in estimate takes place as well as for all other years of the remaining useful life of the asset will be adjusted. This change in accounting treatment will therefore take place prospectively. 2) A note on the change in estimate will be disclosed if the change in estimate is material.
		Review of depreciation method applied to PPE recognised in the annual financial statements(GAMAP 17.62, 77)	Y	1) CFO to issue a memo to all departmental managers at year end to request them to ensure that the depreciation method used to depreciate all items of PPE as reflected as being under their control per the FAR is realistic. 2) CFO to review the depreciation method used to depreciate different classes of assets annually to assess its applicability for each class of asset. 3) Departmental managers should inform the manager responsible for assets of items of PPE with remaining useful lives shorter or longer than those reflected on the FAR at year end. 4) Pass necessary accounting entries and also do necessary disclosure of the change in estimate.	**The following adjustments will need to be made to the AFS if the review of depreciation methods of PPE results in a change in estimate.** 1) The depreciation charge for the year in which the change in estimate takes place as well as for all other years of the remaining useful life of the asset will be adjusted. This change in accounting treatment will therefore take place prospectively. 2) A note on the change in estimate will be disclosed if the change in estimate is material.

		Impairment of non-cash generating assets (GAMAP 17.64 – 69, 75(e)(v) - (vi))	Y	1) Identify items of PPE that may have suffered impairment losses at year end by issuing a memo to all departments requesting them to identify assets that: ➢ Are in a state of permanent damage at year end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end); ➢ Are stolen at year end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft); ➢ Are technologically obsolete at year end (this can be facilitated by supplying departments with a FAR printout pertaining to major assets showing the remaining useful lives of assets - the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout); ➢ Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life. ➢ Show that they are not performing according to their specifications or according to industry accepted norms. 2) Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.	**The following adjustments will need to be made to the AFS if impairment losses are calculated and disclosed for the first time:** 1) The carrying amount of PPE will be reduced. 2) The reconciliation between the opening and closing balance of the carrying amount of PPE will have to reflect impairment losses. 3) The accounting policy relating to PPE will have to be amended to indicate how the entity deals with and discloses impairment losses. 4) The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material. 5) All disclosure requirements as required by IPSAS 21.

		Impairment of cash generating assets (GAMAP 17.63, 75(e)(v) – (vi))	Y	1) Identify items of PPE that may have suffered impairment losses at year end by issuing a memo to all departments requesting them to identify assets that: ➢ Are in a state of permanent damage at year end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end); ➢ Are stolen at year end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft); ➢ Are technologically obsolete at year end (this can be facilitated by supplying departments with a FAR printout pertaining to major assets showing the remaining useful lives of assets - the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout); ➢ Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life. ➢ Show that they are not performing according to their specifications or according to industry accepted norms. Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.	**The following adjustments will need to be made to the AFS if impairment losses are calculated and disclosed for the first time:** 1) The carrying amount of PPE will be reduced. 2) The reconciliation between the opening and closing balance of the carrying amount of PPE will have to reflect impairment losses. 3) The accounting policy relating to PPE will have to be amended to indicate how the entity deals with and discloses impairment losses. 4) The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material. 5) All disclosure requirements as required by IAS 36.
IAS 11 AC 109	Construction contracts	Entire standard	Y	1) The municipality does not enter into construction contracts, where assets are constructed with the purpose of realising a profit on construction activities. Therefore it is estimated that the application of IAS 11 by the municipality will not be necessary, as the municipality does not enter into transactions accounted for in terms of IAS 11.	1) The municipality does not enter into construction contracts, where assets are constructed with the purpose of realising a profit on construction activities. Therefore it is estimated that the application of IAS 11 by the municipality will not be necessary, as the municipality does not enter into transactions accounted for in terms of IAS 11.
IAS 14 AC 115	Segment reporting	Entire standard	Y	1) Obtain an understanding of the definitions of business segments and geographical segments as set out in IAS 14.	**The AFS will have to be adjusted to ensure that the disclosure requirements of IAS 14.51 to .67 relating to segment information are met**.

				2) Determine the business and geographical segments of the municipality. 3) Decide on the primary and secondary reporting formats for the entity. Therefore a decision must be made whether business is primary and geographical secondary or vice versa. 4) Change the chart of accounts and accounting software package to ensure that the segmental revenue, expenses, results, assets and liabilities can be accounted for and presented in the AFS according to the primary and secondary reporting formats.	The primary reporting format requires inter alia, disclosure of: 1) Segment revenue for every reportable segment. 2) Segment results for every reportable segment. 3) Segment assets for every reportable segment. 4) The total cost incurred during the period to acquire reportable segment long term assets. 5) A reconciliation between the information disclosed for reportable segments and the information in the entity's own financial statements. Based on the decision of the entity whether business or geographical segments are the primary reporting format, the secondary reporting format requirements as set out in IAS 14 will also need to be disclosed in the AFS.
IAS17 AC 105	Leases	Recognising operating lease payments / receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement (IAS 17.33 – 34 and 50 – 51 and SAICA circular 12/06.8 – 11)	Y	1) The municipality must obtain copies of all existing current lease agreements. 2) For each lease agreement the municipality must distinguish each lease as a Finance Leases or an Operating Lease. 3) Assets held in terms of Finance Leases as defined in IAS 17 must be capitalised and subsequently depreciated and/or impaired. 4) A complete Lease Contract Register must be kept to ensure the completeness of lease transactions. 5) Operating Leases that have fluctuating payment arrangements must be identified and operating lease expenses that fall within this category must be straight-lined (smoothed).	**The following adjustments will need to be made to the AFS if operating lease payments are straight lined as opposed to accounting for them based on cash flows:** 1) Currently, operating lease payments are accounted for based on the cash flows in the lease agreement and therefore the actual amount of lease instalments incurred per annum is recognised in the Statement of Financial Performance. Once straight lining is done the amount recognised in the Statement of Financial Performance will be the average annual instalment calculated over the entire lifespan of the lease. If the actual instalments in a year are more than the average instalment the difference will be shown either as a prepayment (debtor) in the AFS. If the actual instalments in a year are less than the average instalment the difference will be shown either as an accrual (creditor) in the AFS.
IAS 19 (AC 116)	Employee benefits	Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and defined benefit obligation disclosed by narrative information (IAS 19.29, 48 – 119 and 120A(c) – (q))	N	The municipality accounts for its defined benefit plans in accordance with the accounting treatment and disclosure requirements for the accounting for defined benefit plans as set out in IAS 19.	No adjustments to the AFS are required as the municipality already complies with the requirements of IAS 19.
IAS 20	Accounting for government grants	Entire standard excluding paragraphs 24 and 26, replaced by GAMAP 12.8, 17.25 and 9.42 – 46.	Y	1) Currently all conditional capital grants received for the purchase of PPE are	1) Unbundle the balance on the GGR and transfer it to a deferred income account.

				accounted for in terms of the NT GRAP implementation guidelines dated June 2005 and also GAMAP 9.42 to 46. 2) On receipt of a conditional capital government grant the amount is banked and reflected as a current liability called Unspent Conditional Grants and Receipts. Once the amount is spent in accordance with the grant conditions a transfer is made from the current liability to the Statement of Financial Performance equal to the amount that has been spent during the financial year in accordance with the grant conditions. Thereafter an equal amount is transferred from the Accumulated Surplus to the Government Grant Reserve (GGR) on the statement of Changes in Net Assets. Annually an amount is transferred from this reserve to accumulated surplus equal to the amount of depreciation on assets funded from government grants. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/ (deficit). 3) On the implementation of IAS 20, unbundled the GGR by transferring the balance to a deferred income account. 4) For future depreciation charges in respect of assets that have a carrying amount equal to the deferred income account on the date of the unbundling of the GGR, ensure that an amount equal to the depreciation charge is transferred from deferred income to the Statement of Financial Performance.	2) Capital Grants utilised will no longer be transferred to a GGR via the Statement of Financial Performance and the Statement of Changes in Net Assets. Once an amount is utilised it will be transferred directly from the unspent capital conditional grants creditor to a creditor called deferred income. Therefore the GGR (Reserve) will be replaced by a creditor called deferred income. 3) In future a transfer will be made from the deferred income account to the Statement of Financial Performance to annually offset the amount of depreciation in respect of assets funded from government grants. The GGR will no longer exist and therefore no transfer from the GGR to the accumulated surplus to offset depreciation will be made on the Statement of Changes in Net Assets.
IAS 36 (AC 128)	Impairment of assets	Entire standard	Y	1) Identify items of PPE that may have suffered impairment losses at year end by issuing a memo to all departments requesting them to identify assets that:	**The following adjustments will need to be made to the AFS if impairment losses are calculated and disclosed for the first time:** 1) The carrying amount of PPE will be reduced.

				➢ Are in a state of permanent damage at year end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end); ➢ Are stolen at year end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft); ➢ Are technologically obsolete at year end (this can be facilitated by supplying departments with a FAR printout pertaining to major assets showing the remaining useful lives of assets - the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout); ➢ Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life. ➢ Show that they are not performing according to their specifications or according to industry accepted norms. 2) Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.	2) The reconciliation between the opening and closing balance of the carrying amount of PPE will have to reflect impairment losses. 3) The accounting policy relating to PPE will have to be amended to indicate how the entity deals with and discloses impairment losses. 4) The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material. 5) All disclosure requirements as required by IAS 36.
IAS 38 (AC 129)	Intangible assets	The entire standard except for the recognition, measurement and disclosure of computer software and website costs (SIC 32) and all other costs are expensed	Y	1) Ensure that all assets that meet the definition of an intangible asset and the recognition criteria for an asset are identified by scrutinising the FAR and capital purchases file. 2) Ensure that all intangible assets identified are measured initially at their cost price. **Examples** of items which may meet the definition of an intangible asset in the municipal environment are: • The cost of the General Valuation Roll • A license fee for operating a tip site, where the fee grants to the municipality the right to operate the tip site for a period of longer than one year. 3) Ensure that the necessary procedures are put in place to ensure the proper accounting treatment of Intangible assets	**The following adjustments will need to be made to the AFS if intangible assets are accounted for in terms of IAS 38:** 1) No action necessary as the municipality already reclassified intangible and a new line item was inserted on the Statement of Financial Position. 2) The municipality shall disclose the aggregate amount of research and development expenditure recognised as an expense during the period. 3) The municipality shall also disclose the following: • A description, the carrying amount and remaining amortisation period of any individual intangible asset that is material to the entity's financial statements. • For intangible assets acquired by way of a government grant and initially recognised at fair

				after initial recognition to deal with the accounting for subsequent expenditure, amortisation, review of useful lives of intangible assets, retirements and disposals of intangible assets and internally generated intangible assets.	value: (i) The fair value initially recognised for these assets; (ii) Their carrying amount; and (iii) Whether they are measured after recognition under the cost model or the revaluation model. • The amount of contractual commitments for the acquisition of intangible assets.
IAS 39 (AC 133)	Financial instruments: recognition and measurement	Initially measuring financial assets and liabilities at fair value(IAS 39.43, AG79, AG64 – AG65 and SAICA circular 9/06)	N	All the applicable sections regarding the accounting recognition and measurement requirements relating to Financial Instruments as set out in IAS 39 are adhered to by the municipality.	No adjustments will need to be made to the AFS as the municipality already fully complies with the requirements of IAS39.

IAS 40 (AC 135)	Investment property	The entire standard to the extent that the property is accounted for in terms of GAMAP 17	Y	1) Prepare a list of all possible names under which property belonging to the municipality could have been registered in the past. 2) Perform a title deeds search using all these names mentioned in 1) above to identify all land and buildings under the control of the municipality. 3) Compare the results of the title deeds search to the Fixed Asset Register and the Valuation roll and adjust the FAR to reflect all land and buildings under the control of the municipality. 4) Value all land and buildings, which were previously not reflected on the FAR at fair value where historical cost prices and acquisition dates are unknown. 5) Identify and reclassify as Investment Property (IP) all land and buildings reflected on the updated FAR meeting the definition of Investment Property as per IAS 40. 6) Decide on an accounting policy for the subsequent measurement of IP i.e. cost price less accumulated depreciation or Fair Value. 7) Ensure that the necessary procedures are put in place to ensure the proper accounting treatment of IP after initial recognition to deal with the accounting for subsequent expenditure, disposal of IP, transfers of IP, Fair value increases etc.	**The following adjustments will need to be made to the AFS if IAS 40 is implemented and if IP is measured at Fair Value.** • The criteria developed by the municipality to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations; • The methods and significant assumptions applied in determining the fair value of investment property. • The extent to which the fair value of investment property is based on a valuation by an independent valuer. • The amounts included in the statement of financial performance for: (a) Rental revenue from investment property; (b) Direct operating expenses arising from investment property that **generated rental revenue** during the period; and (c) Direct operating expenses arising from investment property that **did not generate rental revenue** during the period; (d) Fair value increases in IP • The existence and amounts of restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal; • Material contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements; • A reconciliation of the carrying amount of investment property at the beginning and end of the period showing the following (a) Additions, disclosing separately those additions resulting from acquisitions and those resulting from capitalized subsequent expenditure; (b) Additions resulting from acquisitions through municipality combinations; (c) Disposals; (d) Net gains or losses from fair value adjustments; (e) Transfers to and from inventories and owner-occupied property; and (f) Other movements.

					The following adjustments will need to be made to the AFS if IAS 40 is implemented and if IP is measured at Cost Price less accumulated depreciation. If the municipality elects to reflect all of its investment properties **at cost less accumulated depreciation,** ensure disclosure in the AFS of the following information, in addition to any relevant information required by the disclosure requirements relating to IP at fair value as set out above : • The depreciation methods used; • The useful lives or the depreciation rates used; • The gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period; • A reconciliation of the carrying amount of investment property at the beginning and end of the period showing the following (comparative information is not required): (i) Additions, disclosing separately those additions resulting from acquisitions and those resulting from capitalized subsequent expenditure; (ii) Additions resulting from acquisitions through municipality combinations; (iii) Disposals; (iv) Depreciation; (v) The amount of impairment losses recognized, and the amount of impairment losses reversed, during the period; (vi) The net exchange differences arising on the translation of the financial statements of a foreign municipality; (vii) Transfers to and from inventories and owner – occupied property; and (viii) Other movements; and • The fair value of investment property. In the exceptional cases , when the municipality cannot determine the fair value of the investment property reliably, the municipality should disclose: (i) A description of the investment property; (ii) An explanation of why fair value cannot be determined reliably; and (iii) If possible, the range of estimates within which fair value is highly likely to lie.

		Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of this standard (IAS 40.79(e)(i) – (iii))	Y	1) Ensure that, even if IP is reflected at cost procedures are put in place to obtain the Fair Value of IP at each Balance Sheet date for inclusion in the notes to the AFS.	1) The disclosure notes relating to IP would provide an indication of the Fair Value of IP which is carried at cost price less accumulated depreciation on the face of the Statement of Financial Position.
IFRS 3 (AC 140)	Business combinations	Entire standard	N	1) It is highly likely that the most relevant section of IAS 40 to the municipality is the accounting treatment of goodwill. 2) Goodwill is measured and accounted for by the municipality in accordance with the requirements of IFRS 3.	1) No adjustments will need to be made to the AFS as the municipality already fully complies with the relevant requirements of IFRS 3.
IFRS 5 (AC 142)	Non-current assets held for sale and discontinued operations	Classification, measurement and disclosure of non-current assets held for sale (IFRS 5.6 – 29 (in so far as it relates to non-current assets held for sale) and 38 – 42)	Y	1) Print-outs of the FAR per department must be made and distributed to the Heads of every department. The Heads of departments must scrutinise the FAR applicable to their department and identify assets that meet the criteria for non-current assets held for sale as set out by IFRS 5.6 to .11. 2) The Heads of departments must return the departmental FAR, to the CFO and indicate the assets that meet the above mentioned criteria. 3) CFO must ensure that every department returned the departmental-FAR and ensure that it has been signed-off as proof that it has been reviewed. 4) Scrutinise the fixed asset votes in the GL after year-end up to the date when the financial statements are prepared, to identify assets that are sold after year-end and meet the IFRS 5.6 to 11 requirements at year end. Ensure that these assets are classified as Non-current assets held for sale in the Financial Statements for the year under review. 5) Measure and disclose the Non Current Assets held for Sale in accordance with IFRS 5 requirements.	1) Non Current Assets held for sale will no longer be recorded as part of PPE and will not necessarily be carried at cost less accumulated depreciation. 2) No current assets held for sale will be recorded as such as part of current assets and will be recorded at the lower of carrying amount and fair value less costs to sell. 3) Impairment losses in respect of non current assets held for sale will be recorded in the Statement of Financial Performance if such impairment losses exist.
IFRS 7 (AC 144)	Financial instruments: disclosures	Entire standard to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998	N	All the applicable sections regarding the disclosure requirements relating to Financial Instruments as set out in IFRS 7 are adhered to by the municipality.	No adjustments will need to be made to the AFS as the municipality already fully complies with the relevant requirements of IFRS 7.